THE

APPRECIATION OF MONEY:

ITS EFFECTS ON

DEBTS, INDUSTRY,

AND

NATIONAL WEALTH.

EMBRACING THE SUBSTANCE OF A DISCOURSE DELIVERED AT XENIA, OHIO, WITH ADDITIONS, TOGETHER WITH ESSAYS ON FINANCIAL QUESTIONS WRITTEN AT VARIOUS TIMES.

BY A. J. WARNER.

"An alteration in the value of the monetary unit, comes in such an impenetrable disguise, that probably few minds are even prepared to entertain the idea of such an alteration having occurred." EDWIN HILL.

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DEDICATED TO THE

PRODUCERS AND BUSINESS MEN

OF THE UNITED STATES,

WHOSE PROSPERITY IS THE PROSPERITY

OF THEIR COUNTRY.

PREFACE.

Of the arguments and criticisms that follow, all but the first were written and published at various times as the questions to which they relate came under discussion through the public press. The first appears for the first time.

Some of the articles which are now republished have been abridged, others have been slightly added to, but all are, substantially, as originally published, and they are here reprinted for the reason that the questions discussed continue to be important issues in the financial policy of the country.

Marietta, Ohio, Nov. 20, 1877.

ERRATA.

Page 14, 24th line from top leave out *a* before the word *money*.
Page 26, omit *his* in line 13.
Page 27, 25th line from top, for *that* read *what*.
Page 33. In fourth line of foot note for *imported* read *exported*.
Page 40, line 23, after the word century insert the words, *as years like the present and* . . .
Page 44, line 19, for *Huskinson* read *Huskisson*.
Page 47, line 26, for *him* read *me*.
Page 48, line 12, for *stamps* read *stamp*.
Page 52, line 26, after the word name read *nomisma*.
Page 58, line 26, for *suppose* read *if*.
Page 76, line 6, after *suppose* insert *instead of such a policy*.
Page 77, line 4, transpose *possibly* to beginning of line ~~6~~. 5
Page 78, line 13, for *by it prices regulated*, read *to it prices adjusted*.

THE

APPRECIATION OF MONEY,

ITS EFFECT ON

DEBTS, INDUSTRY AND NATIONAL WEALTH.

Macaulay, in treating of the times of William III., when a new coinage was being made, said: "Events which furnish the best themes for pathetic or indignant eloquence are not always those which most affect the happiness of the great body of the people. The misgovernment of Charles and James, gross as it had been, had not prevented the common business of life from going steadily and prosperously on. While the honor and independence of the State were sold to a foreign power, while chartered rights were invaded, while fundamental laws were violated, hundreds of thousands of quiet, honest and industrious families labored and traded, ate their meals and lay down to rest in comfort and security. * * * But when the great instrument of exchange became thoroughly deranged, all trade, all industry, were smitten as with a palsy."

To produce and to exchange products for consumption constitute the chief employment of man in all civilized countries, and when trade is unfettered industry gathers abundance, wealth is created and wants are supplied. On the contrary, when production is retarded or the ways of exchange clogged, from whatever cause, then confusion arises, labor is idle, trade declines, values change, property gathers in few hands, and want increases in the midst of abundance. Such is the present condition of affairs in this country, as well as over a large part of the commercial world.

Whence comes this stagnation of trade, prolonged beyond

any other commercial depression; this continued lowering of prices, with attendant losses and bankruptcies? What the cause of the increase of idleness, poverty and wretchedness in the very fields of abundance? "It is over-production," says one; "too much wealth has been created!" "No, it is under-consumption," says another. "It is neither," says a third. "It is over-consumption. It is consuming more than is produced."

David A. Wells, writing for the *North American Review*, seeing the apparent surplus of commodities in every market and the constant fall in prices, becomes alarmed and warns us that unless new wants can be invented the race itself, over-burdened with abundance, is in danger of going down under its bounteous load.

Another economist, on the other side of the Atlantic, Professor Bonamy Price, through the *Contemporary Review*, surveying the same field, tells us it is over-consumption since 1873 that is impoverishing the world. He tells us we are eating up and wearing out more than we are producing, and leaves the impression upon us that we are fast approaching the condition of the savage.

Thus these two economists, who exert a wide influence on both sides of the Atlantic, have given to the world their solution of the hard times. Both see the same Sphinx rising anew to devour the people, but neither has guessed the riddle! A pertinent reply to the one would be "Liberate the powers of consumption," and to the other, "Liberate the powers of production." Consumption is limited by production, and production by consumption. The two are correlated conditions.

The measure of every one's power of demand is what he has to offer in exchange for the things he wishes to possess. The power to possess and to consume by the millions, whose only capital is their skill and labor, is limited to the product of that skill and labor, and hence when employment is restricted or denied to labor trade is restricted and consumption limited in the same proportion.

If production is lessened by a thousand millions, as it is this very year, and more, by the forced idleness of labor, then trade is cut short by a thousand millions, and consumption, in the

economic sense, is reduced in that proportion. It is an old maxim that goods in market constitute a market for goods.

But for four years the ding-dong of over-production has rung from the stump in every political campaign, and the doctrine that abundance leads to poverty has burdened the political press throughout the land. And even Secretary Sherman calls up the specter again in his Mansfield speech.

If this theory were true, then the savage condition ought to be the happy state of mankind. For the savage is never burdened with the calamity of over-production; and to be rid entirely of our over-production would put us just where the savage is, without an arrow to begin to-morrow's hunt.

I wonder it has never occurred to these political orators to suggest as a quick remedy for the evils of over-production the destruction of the surplus, that we might at once be relieved of the over-burden and prosper again. But, although this false notion has been taught by men in high places, and has exerted a most deleterious influence over legislation and our national policy, it is too absurd for anything but ridicule.

Disproportionate production there may be and always is: that is, an undue proportion of certain things to other things. But such inequalities every day correct themselves when left to free competition. But to claim an over-production in general of things which constitute the possessions and the wealth of individuals, and go to make up the sum total of national wealth, is not lunacy, it is "a mild form" of idiocy, and may be left to die out as a better intelligence succeeds to the ignorance that has made the acceptance of such notions possible.

THE REAL CAUSE OF THE HARD TIMES.

Let us then proceed to trace the real cause of the stagnation in business, the decline in production, in the wages of labor, and the value of property, which is filling the country with needless bankruptcies, and increasing daily the distress that already overburdens the land.

Adam Smith likened money to a highway and to the wheels of a carriage, and Hume and Mill to oil that removes friction and makes easy the ways of commerce. Suppose for a moment it were proposed to block up the highways of traffic,

stop the locomotive, take the trains from the railways, and ships from the seas—shut off the steam and reef the sails—would anybody wonder then that commerce halted, that want and abundance should appear side by side? What these visible highways are to commerce, the ships, the railways, the steam, the sails, that and all of that, money is to the invisible operations of business, production, trade, exchange, consumption; and the one can no more be taken away, or tampered with by legislation with impunity than the other. No one would think of improving commerce with fewer and smaller ships, fewer and poorer highways, or with a motive power less constant and effective than steam. Nor can you expect to improve or sustain trade and production by taking away its life-blood, the medium by which it is maintained and carried on.

EFFECT OF AN INCREASING VOLUME OF MONEY.

The quarter of a century from 1848 to 1873 has been pointed out by economists as being the period of greatest activity in the production and distribution of wealth of any period in the whole history of the world. During these twenty-five years about thirty-six per cent. was added to the stock of precious metals in the hands of man; and during these same years the trade and commerce of all civilized and commercial nations increased at a rate never known before—the commerce of the United States and Great Britain being increased by from 300 to 400 per cent. and national wealth in a corresponding degree.*

During this same period, too, credit became expanded, and new credit devices were invented to extend the machinery of circulation, facilitate exchanges and lessen the use of the precious metals in commercial transactions. And, notwithstanding the fact that several of the most destructive wars of modern times occurred during this period, still the accumulation of

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*"*If an addition of 40 per cent. to the existing stock of money, from 1848 to 1875—i. e., in 27 years—has so materially* (four fold) *advanced progress in commerce, if all contracts now rest on the basis of prices thereby established,* what will be the consequences, *if that stock of money becomes reduced in the manner the change in the systems of valuation must bring about?*"—Ernest Seyd, *Fall in the Price of Silver.*

industrial products and the increase of national wealth were never before so great, and never before were as many millions of the human family provided with so many conveniences and comforts of life as during this same fourth part of a century. During this period, too, public indebtedness in various countries became enormously and perhaps dangerously increased, until, according to Mr. Dudley Baxter, it has swollen to the inconceivable sum of over $20,000,000,000, nearly three-fifths of which has been added since 1850. The aggregate public indebtedness of the United States, according to the same authority, is about one-fifth of the whole sum.

Now, mark the steps that have been taken and the changes wrought in the monetary affairs of the world since 1873. And to understand the full force of their effect upon this country it is necessary to take into view somewhat more than the boundaries of our own horizon. Trade is more or less international. The precious metals are money for all countries. In 1873, not to go further back, the money of the world, which constituted the measure of these debts, and which determined the prices of commodities and property, consisted first, of the total quantity of gold and silver in existence, available for money,—and every ounce of both metals, under the right of free coinage, may be considered as ultimately available, and therefore potentially money. And this right of free coinage then existed in nearly all the great commercial nations, except England, which extended the right to gold only, but as more than a balance to this is the almost exclusive use of silver as money in the East.

Supplementing this metallic money of the various nations were other kinds of money. In the United States, we had issued $400,000,000 of inconvertible legal-tender paper money. Austria, Italy, Russia, and other states had also issued large sums of inconvertible paper.

And I submit as a proposition that can not be successfully controverted, that to the extent these sums of Government paper money displaced coin, to that extent they were as much additions to the total volume of money, and, therefore, as much affected prices, as though so much gold and silver had been created by the arts of alchemy, or had fallen

from the moon and been absorbed into circulation with the pre-existing metal.*

If, then, we reduce the paper money of the different countries to its coin value, and add it to the metallic money in use, we will have in the total volume, as it were, the scale, which, in 1873–4, measured the debts of the world, and to which prices were adjusted.

Taking as authority Mr. Ernest Seyd, there were in the world in 1874 about seven thousand millions of the precious metals in the form of money, and three thousand millions of legal-tender and other paper money—reduced to coin value—or a total of ten thousand millions, about 38 per cent. of which was gold.

Now, with this picture in mind, trade and production in an active state, public debts aggregating twenty thousand millions, with a volume of money of ten thousand millions, on which this vast accumulation of debts was based, and to which credit prices and business were adjusted, then consider the next step.

DEMONETIZATION OF SILVER.

A conference, in the interest of creditor-nations which assembled at Paris during the Exposition of 1867, to consider the question of an international coinage, recommended the demonetization of silver, and the adoption by the various nations of the single gold standard. A Royal Commission was appointed in England in the following year, to report upon the recommendation of the Paris Conference. This Commission approved unanimously the recommendation of the Conference on the demonetization of silver and the adoption of the single standard.

In January, 1868, following the recommendation of the Paris Conference, the Hon. John Sherman, then Senator from Ohio, introduced a bill in the Senate of the United States, propos-

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* Every emission of a paper currency in any country drives out a portion of its coin, and augments the total amount of the currency of the world, in the same manner that an additional quantity of gold and silver from the mines would do it; and hence an emission of paper money anywhere must augment the currency everywhere, after time has been afforded for the distribution." RAGUET, *Currency and Banking*.

ing the demonetization of silver. To the present Secretary of the Treasury, therefore, let it be noted as we pass, belongs the unenviable distinction of initiating this great fraud upon the people of the United States.*

In 1871, Germany, intoxicated with the victory of Sedan and the capitulation of Paris, and enriched by her indemnity of $1,000,000,000, hastily took up the question of the standards, and stopped coining silver and began the coinage of gold.

In 1873 silver was demonetized, and the gold standard adopted throughout the Empire, when Germany at once entered the market as the vendor of her discarded silver coins and the purchaser of gold to take their place.†

Thus, as a creditor-nation, Germany casts away silver, and by demanding gold to take its place, cheapens the one and increases the value of the other, and then demands of her debtors that obligations to her shall be discharged according to the increased standard she herself has caused to be set up!

In 1874, Holland and the States comprising the Latin Union —France, Belgium, Switzerland, Italy and Greece—restricted the coinage of silver.

While these operations were going on in Europe, emissaries‡ were sent to the United States to whisper in the ears of our statesman (?) (whether they did more than whisper seems left to conjecture)§ "that gold was the money of the wealthy and the great. Rich nations had gold money. Abandon silver and get rid of paper; take gold only for your money and be rich too." And the ears of our statesmen (God save the

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* See Senate Bill No. 217.

† "The true cause of the depreciation in the value of silver, is *its demonetization by law*, and *that only*." Evidence of Ernest Seyd before the Commission on the Depreciation of Silver.

‡ The *Banker's Magazine* for August, 1873, contains this important item: "In 1872, silver being demonetized in France, Germany, England and Holland, a capital of one hundred thousand pounds ($500,000) was raised, and Ernest Seyd, of London, was sent to this country with this fund *as the agent of the foreign bond-holders and capitalists, to effect the same object, which was successful.*"

§ Mr. Hooper made the following admission in his speech in the House, on the 19th of April, 1872: "Mr. Ernest Seyd, *of London*, a distinguished writer, who has given great attention to the subject of mints and coinage, after examining the first draft of the bill, *furnished many valuable suggestions which have been incorporated in this bill.*"

mark!) were inclined. Ignorance made the way easy for the most gigantic fraud that ever disgraced the legislation of any country. Surreptitiously, by the adoption of the Revised Statutes, the deed was accomplished.

Not a hundred men in America, not one-tenth of the members of Congress, seemed to know what had been done.

By this act the United States not only herself abandoned silver, but became committed to a policy looking to the demonetization of this metal throughout the world. For if silver is demonetized in Europe and the United States, it must be, sooner or later, for reasons which I cannot follow out here, in India and all the East. The proposition, then, contemplates nothing less than the demonetization of more metal than the Continent of America has yielded from the date of its discovery to the present time, and the limitation of the metallic money of the world to a less quantity than existed before a colony was planted in America!

What must be the effect of this reduction in the metallic money on prices, on debts, on civilization? What must be the effect on the value of gold? Is it not plainly setting up a new standard to be applied to all pre-existing debts—a standard, too, that will itself increase as silver demonetization extends? And is it not a forced violation of the faith of all contracts made on the basis of both gold and silver as a money? But suppose the demonetization of silver extends only to Europe and the United States.

The proportion of silver to gold in use as money in Europe is very nearly three of silver to five of gold, two-thirds of the silver being full tender money. Suppose only this two-thirds is demonetized—that would be one-fourth of the entire quantity of metallic money—what would be the effect of the demonetization of one-fourth on the value of the remaining three-fourths? According to most writers the three-fourths would have the same value the full volume had, or, in other words, the value of the money left would be increased twenty-five per cent. But I think it can be shown that value often increases in a much higher ratio than inversely as the quantity is lessened.* And money being the commodity into which all

* See Article, Relation of Volume to Value.

other things must, on demand, be converted in the discharge of all obligations, a suspicion even of scarcity operates to excessively increase its value. But whether the operation of laws now in force in relation to silver, if carried out, increases the value of the standard by a hundred, or fifty, or only twenty-five per cent., the fact remains that to the extent the standard is thereby raised, to that extent the relations of property, debt and money are changed, the evil effects of which are beyond calculation.

Disraeli is one of the few statesmen who at the outset seemed to comprehend the danger threatened. In his speech at Glasgow, in 1873, he said: "When the various States of Europe suddenly determined to have a gold standard, and took steps to carry it into effect, it was quite evident we must prepare ourselves for great convulsions in the money market, not occasioned by speculation or any old cause, which has been alleged, but to a new cause with which we are not sufficiently acquainted, and the consequences of which are very embarrassing."

THE RESUMPTION ACT.

Following next in the same line of legislation came the Resumption Act, passed on the 14th of January, 1875, pledging the country to redemption in gold and the cancellation of greenbacks in 1879. That I may give the real intent and purpose of this act, I quote the following from the official report of Mr. Bristow, Secretary of the Treasury, and which, in substance was repeated by his successor, and has been accepted by the Republican press generally, as expressing the true purpose of the government.

Mr. Bristow says: "The faith of the Government now stands pledged to resumption on and after January 1, 1879, and to the final redemption and removal from the currency of the country of the legal-tender notes as fast as they shall be presented for redemption, according to the provisions of the Act of January 14, 1875."

Thus, as the law now stands, not only is silver demonetized in the United States, except for fractional currency, but the Government stands pledged to get rid of greenbacks and

restrict full tender money to gold alone. That is, having restricted the *means of resumption* to gold, we then pledge ourselves to redeem in that metal, and when redeemed, to "remove from the currency of the country" our greenback money!

Now let us trace the effect of this double-headed silver and greenback legislation, first upon prices and the relation of property to debts, and then upon production and trade.

THE EFFECT UPON THE RELATION OF DEBTS AND PROPERTY.

If we accept the estimate that there are in the world, say 10,000 tons, or about $5,000,000,000 of gold, in the various forms of coin, bullion, ornaments, etc., that may be drawn upon for money, and an amount equal in value, or sixteen times as much by weight, of silver, or 160,000 tons, also available for use as money, then the money basis of values in this country before the legislation of 1873–5 was such proportion of this total mass of the precious metals as we might acquire, supplemented by the volume of our legal-tender paper, which at that time was about $385,000,000. To this available volume of legal-tender money business and prices were adjusted. Upon it as a basis credit rested. All public and private indebtedness was equitably dischargeable in it. Such part as was specifically payable in coin was payable, nevertheless, according to a scale of values determined by this full volume.

And this is an important point to keep in view. It makes a very great difference whether the coin in which a debt is made specifically payable constitutes the whole or but a given part of the total volume of money. As it makes a great difference, even with payments made specifically in gold, whether that is the *only money*, or whether silver and paper are money also for ordinary purposes—whether the 160,000 tons of gathered silver may be drawn upon, too, for money, or only the 10,000 tons of the one metal for all purposes.

Having created, first, a vast war debt, and piled up other public debts, National, State and Municipal, to an aggregate of $4,000,000,000, with probably as much more of corporate indebtedness, and with private indebtedness proportionally extended—the whole aggregating one-third, if not nearer one-half,

of the *present* value of all the property of the country—and all made on the basis of this full volume of gold, silver and greenbacks—and with credit, business and prices based upon and adjusted to the same scale of valuation; then, for *no reason that has ever been pretended, but like a nation of simpletons, or as if possessed of an insane purpose to wrong ourselves*, we demonetized silver, except for token coinage, (though the largest producers of silver in the world) and thus barred ourselves from the use, as money, either in our domestic trade or as a means of payment for any part of our vast indebtedness, of a metal which, from earliest times, and among all commercial nations, has been a medium of exchange and measure of value in all transactions. *And next, having limited the means of redemption to the one metal —gold—we pledge ourselves to redeem and cancel our greenback money as fast as presented after January, 1879, leaving only gold for full tender money after the greenbacks have been destroyed*, and paying no regard to the effect on the value of gold itself to thus extend its use over countries before using silver or paper for money

The United States enters the market to buy gold to substitute for greenbacks; Germany to buy gold to take the place of her cast-off silver; other countries, for like reasons, also compete for the same metal at the same time. Twenty per cent. at least of all the gold in circulation in Europe is thus advertised for to take the place of other kinds of money now in use, which is more than is contained in all the great hoards of the world.

Will a hundred per cent. more than cover the rise in the value of money that has already taken place under this double-headed legislation? That is, have not prices, on the average, fallen fifty per cent.?

And it must be remembered that the substitution of gold for silver and paper money in European countries has but just begun,* and that we have only fairly begun the work of destroying

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* Even in Germany the gold valuation is not yet complete; more gold is wanted, and silver remains to be sold. The Scandinavian States have made but little progress in selling silver and obtaining gold. The United States have no power to hold gold before they resume specie payments. Holland and

greenbacks. I think it could be shown that before the legislation now in force could be carried out,* the increase in the value of money, as compared with its value in 1874, after the effects of the panic had mostly passed away, must be nearer 200 than 100 per cent., or a decline in prices, on the average, for a time at least, to one-third the scale in 1874. No small part of the property of the country has already fallen to that level, and notably tools and machinery designed for reproduction.

And if silver-demonetization should extend to India and other parts of the East the change must be greater even than that.

But debts have not decreased; dollars have grown larger, but it takes no fewer of them to cancel an obligation. *The standard that measures debts has been enormously increased, but the means of paying have been decreased.* And who can say this is not the direct consequeuce of monetary legislation?

Yes, by legislation and by legislation alone, the relation of debt, money and commodities has been changed till $4,000,000,000 of public debt, to say nothing of corporate and private debts, as compared with that with which it must be paid, property, commodities, labor, has been made equal to $8,000,000,000, and is to be, if these acts of Congress are allowed to run their course, still further increased as a burden upon the country.

And what does public debt mean? It means that Government guarantees that the people shall pay to the creditor a

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the Latin Union have been added to the gold-valuing list "in abeyance," the steps taken so far justifying this. Involved in the facts of the whole case is the consideration: Are these States compelled to follow the course of Germany? It will be found that (unless silver is remonetized) they must do so for the sake of self-preservation.—*Evidence of Ernest Seyd before the Parliamentary Commission on Depreciation of Silver, 1876.*

* "It is obvious that if effect should be given to the policy of substituting gold for silver, wherever it is feasible, and giving gold for the sake of its advantages in international commerce, the preference, even among populations whose habits and customs are in favor of silver, and thus displacing silver from the position (which it has always occupied) of doing the work of the currency over at least as large an area as gold, no possible limits could be assigned to the further fall in its value, which would inevitably take place."—*Parliamentary Report on Depreciation of Silver*, 1876.

given sum, either as interest or principal. The fund from which it must be paid is the annual produce of the country. It is quite common for those who have little property to flatter themselves that the tax to discharge public indebtedness does not fall on them. But this is a mistaken notion. A moiety of the product of every day's laber is required and taken. The public debt, like the cost of maintaining Government, is a pledge not only of present property, but of the future labors of every producer and the future profits of capital. It is a mortgage, workmen, upon your good right hands; and you will have to work it out, be it more or be it less. If the annual interest on the aggregate public indebtedness in 1874 was $250,000,000, and public expenses $500,000,000 more, and the value of the total annual products—that is, the total earnings of labor and capital, were $5,000,000,000—which is about the estimate of Mr. D. A. Wells for 1870—then $750,000,000 must be deducted from this sum as a tax for interest and public expenses, leaving the balance, $4,250,000,000, as the wages of labor and the profits of capital. Now, if by a change in the relation of money and commodities, the money value of our annual products has been reduced, on the average, 50 per cent., then the products that were valued at $5,000,000,000 in 1870, if now on hand, would be worth, measured in the money of to-day, but $2,500,000,000, and at that rate must go to pay debts and taxes. For the same number of dollars for debts, interest and taxes, are required as before. Take then $750,000,000 for interest and public expenses from this sum, and there would remain but $1,750,000,000 for wages and profits, or but $3,500,000,000 if counted in the money of 1870, instead of $4,250,000,000.

Take another illustration. Suppose the $750,000,000 collected as taxes in 1873–4 to have been paid all by the sale of cotton; and to show better the change between gold and cotton, we will take the average Liverpool price of that year, for the highest grade, which was about 10¼d. per pound, or say 21 cents, New York. It would have taken then, in 1873–4, about eight millions of bales* to pay the taxes collected from

*Average weight of bales 450 pounds.

the people in that year, or twice the whole cotton crop, if all taxes had been paid with this commodity. But at the price of cotton now ruling it would take *fourteen millions of bales;* or full 75 per cent. more. If we compare, in the same way, pig iron, we will find that while in 1873–4 it would have taken but twenty-eight millions of tons to pay $750,000,000, it would take this year about forty-eight millions, or over 70 per cent. more. And if we include machinery real estate and other property with annual products, and take the average of everything held for debt and taxes, we will find that not far from a hundred per cent. more is required this year than in 1873 or 1874.

Indeed, at the very time when General Garfield was denouncing in the House the proposition to restore silver to our coinage, and make it available for the payment of debts and taxes, as dishonorable and dishonest—at the time when its depreciation as compared with gold was greatest—it would have taken on the average about 55 per cent. more of the property and annual products of Ohio to buy silver with to pay debts and taxes than it would have taken in 1870, when the Funding Act was passed! But this is not all, nor the worst consequence of this vicious monetary legislation. The *quantity of things produced* has been greatly lessened, so that the burden falls not only on products *reduced in price*, but on a *diminished quantity.* Was this legislation, then, to demonetize silver, destroy greenbacks and double the value of the money standard, a blunder or a crime? It is certainly the most gigantic fraud ever perpetrated upon any people, and is as unjustifiable as spoliation or open confiscation.

It is a forced violation of the faith of contracts reaching to thousands of millions of dollars, based upon a volume of money consisting of both of the precious metals and greenbacks. The obligations of every debt, of every contract, of every engagement, are impaired by the change decreed and now being made in the value of money under the form of law. The enterprise of industry, the ventures of commerce, the profits of trade, the wages of labor, the relation of capital to production, are all subverted and deranged by it.

Such a change in the value of money, if made directly,

would be tolerated by no people,* but when made indirectly it is none the more justifiable or the less pernicious. No taxation is so dangerous as that which is made in the dark.

The plea that money was depreciated when greenbacks were issued is often set up as a sufficient reason for contraction and the appreciation of money fifteen years afterward as a kind of offset. But no wrongs are righted by such means; but new wrongs are needlessly inflicted.† Such justice would be much like that meted out by a man who, having robbed his neighbor on his right, and feeling as though he had been doing wrong, turns and robs his neighbor on his left, and then says: "Now I am justified; I have served them both alike."

On this point, however, it can hardly have escaped the observation of casual observers even, that, while the public press, and especially the Eastern press, has teemed with denunciation against the suggestion of measures that might have the effect of depreciating money, it has been commendatory, or silent, respecting measures calculated to enormously increase the value of money and credits.

It would be a real satisfaction to meet with an occasional expression of impartial honesty on this point from the New York press. Or must we continually be reminded that Horace Greeley no longer edits the *Tribune;* that the elder Bennett has gone, and that Raymond has ceased to direct the editorial pen of the *Times?* Above all, for one, I should like to have the venerable editor of the New York *Post* frankly admit that to alter the value of money so as to rob the debtor is no more

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* "Directly to alter the terms of the contracts between individuals, would be too barefaced and tyrannical an interference with the rights of property to be tolerated. Those, therefore, who endeavor to enrich one part of society at the expense of another, find it necessary to act with caution and reserve. Instead of changing the stipulations in contracts, they have resorted to the ingenious device of changing the standard by which these stipulations are adjusted. They have not said, in so many words, that ten or twenty per cent. should be added to, or deducted from, the debts and obligations of society, but they have, nevertheless, effected this by making a proportional change in the value of money."—"*Metallic and Paper Money and Banks.*" J. R. McCulloch.

† "Invariability of value is the great desideratum in a currency. To elevate the standard after it has been for a considerable period depressed, is not a measure of justice, but of new injustice. It vitiates and falsifies the provisions in one set of contracts, that those in another set may be properly adjusted."—*Ibid.*

justifiable than to alter it so that the creditor is swindled. "Ye shall do no unrighteousness in judgment, in mete-yard, in weight or in measure."

Unsophisticated people in the West have, innocently, it would seem, supposed the injunction in the Decalogue: "Thou shalt not steal," was meant as well for the man of millions as for him that has nothing. The Eastern interpretation of this commandment would seem to be, however, that the alteration in the value of money, whereby the debtor pays less value than he owes, is *perfidious cheating*, but the alteration of the value of money whereby the creditor shall receive the value of two dollars where but one is owed him, that is *strengthening the public credit:* "O, Liberty, what crimes are not done in thy name!" O, public credit, what stealing is carried on in thy name!

We have three times changed the stipulation respecting Government bonds, and each time in the interest of the creditor, and each time without any consideration to the payors. Originally the principal of the bonds was payable in lawful money —the same money that was paid *for* the bonds. But our creditors asked us to make both principal and interest payable in coin. It was natural enough that this should be *asked*, for the simple reason that coin was worth more than legal tender paper. They said it would "strengthen the public credit," and we granted the request. This was steal No. 1, and amounted to some five or six hundred millions.

The people, or our statesmen for us, were so very kind in their response to the first demand, and so easily persuaded, that it was not long till the second request was made. The public credit needed more "strengthening." "The United States," they flatteringly said, "is a great nation, with boundless resources, and it can't be mean!" It should have "honest money." Creditor-nations had studied out how debts owed them might be doubled without seeming to cheat at all. "Do away with silver, extend the use of gold, and thus double its value," and the thing is accomplished. We demonetized silver, and a second time the stipulation in the bond, so it is now interpreted, at least, was changed in the interest of the

creditor and without consideration to the people, who must pay it. This was steal No. 2. But for just how much we can not tell till we know how far silver demonetization will be carried. It may be three or four hundred millions, and it may be several times that.

The third demand was that we should stop using paper money ourselves, and buy gold to take its place. There was gold enough in the world, we were told, if we would only pay for it, and three hundred millions of gold bought by us and as much more by other nations, to substitute for paper, would raise the value of gold as compared with the commodities that must be given for it, or that must go to pay debts, to a degree that would be very satisfactory to those who derive the benefit of the increase. Any step that will increase the standard that measures debts is always gratifying to credit-holders. Against this demand, however, honest protests were made. Nevertheless, it was claimed that it would further "strengthen the public credit." "Let the bloody shirt wave," said campaign orators, and it waved, and again the demands of the creditors were conceded, and again the public was swindled.

EFFECT OF RESUMPTION ON BUSINESS.

But wrong as has been the effect of the appreciation of money on debtors and tax-payers, it is insignificant in reality as compared with its effect upon *the business interests of the country. It is here, hidden by many complications, that the deadliest poison lies.*

The promise, on the one hand, that greenback notes shall be raised to the level of gold, while the purchasing power of the gold itself goes on increasing apace with the demonetization of silver and the withdrawal of greenbacks, and on the other hand, the threat that all property, all commodities, houses, lands, goods, everything but money and funds that must necessarily share the enhancement of money, shall correspondingly decrease in value, have made it NECESSARY to *withdraw money from production*, and hoard it in idle heaps.

As money rises in value or purchasing power, other things, as compared with money, must fall; if one side of the balance goes up the other must go down.

As the direct consequence then of acts of Congress now in force, capital, in the form of money is made to increase, not by use, but, as it were, to grow in value or purchasing power, while capital in other forms, property and commodities, as surely and perforce of the same laws decline.

A mechanic, who four years ago invested a thousand dollars, the savings, perhaps, of half a life of industry and economy, in a home worth then two thousand dollars, on which future payments were to be made, finds, when foreclosure takes place, as it is most certain to do in these times (as thousands, to their grief, are finding out), that in an hour savings, home, shelter, all are gone. On the other hand, a thousand dollars buried in the earth by a miser at the same time the laborer's investment in a home was made, and now dug up, will buy two such homes as that which industrious hands have lost!

It is he who has hid his talent in the earth that, in the new Republican kingdom in which the golden calf is elevated to supreme worship, gains the reward and receives the plaudit, "Well done, thou good and faithful servant, who knoweth how to appropriate as thine own the blood and sweat of others."

So a hundred, a thousand, or a million dollars that have been locked up for the past three or four years in the vaults of a bank, will to-day purchase, on an average, twice as much of property and commodities as when it was consigned to the vault. A hundred per cent. gain for idle money in three years! Did ever money gain so fast from use? Any wonder, then, why money accumulates in money centers, and is plenty at two per cent. on good securities?

Reverse this operation, and suppose money, instead of lying idle in bank vaults safely gathering increase, had been invested in mills, factories, work-shops, machinery, or been used in carrying on our industries—employing labor, producing commodities, creating wealth—what would have been the result? Capital in this form—capital designed for reproduction—has declined in value much more than fifty per cent. since the passage of the Resumption Act; goods, commodities, produced and not consumed, have also undergone heavy decline, and all capital so invested or so employed, has suffered loss, involving thousands in bankruptcy and ruin.

And right here, in the relations of

LABOR AND CAPITAL,

this pernicious monetary legislation has its greatest, ITS MOST TERRIBLE SIGNIFICANCE. When Adam Smith wrote his great work on the "Wealth of Nations," there was not a power-loom nor a steam-engine in succesful operation in Great Britain. Nails were still made by individuals working on their own account in separate smith-shops. Cloth was woven in hand looms in private homes; tools, implements, arms and armor, were made in the same manner. Then each laborer, to a large extent, exchanged his own productions for the products of other labor, and in a great measure it was done by barter.

Now, production is chiefly carried on by machinery gathered in great establishments—capital in heaps and labor in masses. Everything is done by machinery, from the finest fabric, light as the gossamer film, to the massive bars of iron and steel rolled and twisted by the most powerful engines—from the smallest toy to the steel gun of a hundred tons—all are produced by the aid of machinery, and without machinery, worked by the power of steam or water, production must cease.

Four times the present population of England, working as they worked in the days of Adam Smith, could not spin the yarn and weave the cloth now spun and woven by machinery unknown to the Father of Political Economy.

And the significant fact in all this is that *this machinery is as much an essential part of the laborer of to-day, as are the fingers of his hands.* The boy who tends a nail machine, when that stops, cannot go to a shop of his own and go to making nails in the old way, nor can the weaver go and weave cloth; they have not learned such trades.

Hence, if a thousand millions of capital in the country in the form of tools and machinery, gathered, as is now the case, in these vast workshops, are forced into suspension, *the hands of two or three millions of laborers are tied*, and the aggregate of things that go to supply the necessities and comforts of life, and make up the sum total of national wealth, are cut short by

the loss of what they would produce. Thus it is that legislation which operates to raise the value of money, attacks the very vital forces of society, lessens production, stops the creation of wealth, thwarts enterprise, leaves energy profitless, forces labor into idleness, cuts off trade, and stagnates and demoralizes the whole social organism.

The world owes no one a living, in the sense in which this phrase is generally used, but has any class a right, has any Government a moral right, I ask in all sincerity, to impose conditions upon society that make it *impossible for the laborer to use his capital, which is his skill and labor*, when upon its use his very existence depends, and very likely the existence of his wife and children?

The demoralization that follows enforced idleness, is an evil that can not long be neglected. The criminal class are bred from the idle class, and the loss to the nation from this source —from the loss of labor and failure of self maintenance—besides other burdens which such a class impose upon society, are becoming a matter of serious apprehension. All employers know well that when a man forsakes labor as a means of living, and learns to gain subsistence, however meagre, without work, that he loses self-respect, is degraded, becomes worthless as a laborer, and a drag upon society. What then is to be done with the increasing army of tramps?

REMOVE FIRST *the causes that have made such an army possible.* STOP ITS INCREASE. Restore to industry as many as can be reclaimed. Scout the absurd notion that is gaining acceptance that a "pauper class" has already become a necessity in this country.

A country occupying the fairest and richest side of the globe, stretching through a whole temperate zone, with soil and climate adapted to every product, a country capable of sustaining in comfort ten times the present population, with a necessary idle pauper class as large as the whole population when the independence of the nation was won a hundred years ago! For shame! *Over-production, and a tenth of the people at the level of starvation!*

If, on an island separate from the rest of the world, there was a society of a thousand people producing abundantly,

trading, and living in comfort, and some candidate for office, like Judge West, should rise among them and persuade them that if they *produced less*, their *market would be better*, and if, accordingly, the next year they reduced, by each one working only one tenth as much, their production to one-tenth their former amount, with the expectation that with only one-tenth as much produced the demand would be ten times as great; what would they be likely to find out? Each one would have one-tenth as much to put into the common pile, and each could take one-tenth as much out, and no more, No "Bureau of Industry" could make more out of it. They might legislate that, notwithstanding their production was but one tenth as much as formerly, nevertheless, each should be paid as much as before; but if one-tenth should get as much as before, nine-tenths would necessarily go without anything. If one takes more, some one else must take less. On the contrary, suppose the next year, with this lesson before them, they go to work with renewed energy, or suppose each one, by some magic art—some new invention—increases his power to produce ten-fold beyond what it had ever been before, and ten times more is produced than ever before: what would be the result? Why, each one has ten times a much to put into the common heap, and each ten times as much to take out. That one-tenth, or even nine-tenths of society can produce of everything that the whole can or will consume, until every one has everything he desires, is impossible. And the innate laziness of man can always be trusted to stop producing when he has enough, without artificial hinderances!*

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* "It is clear, therefore, that an universally increased facility of production can never be the cause of a permanent overloading of the market. Suppose that the amount of capital and industry, engaged in every different employment in this country, is adjusted according to the effectual demand, and that they are *all* yielding the same net profit; if the productive powers of labor were universally increased, the commodities produced would all preserve the same relation to each other. Double or triple the quantity of one commodity would be given for double or triple the quantity of every other commodity. There would be a general augmentation of the wealth of the society; but there would be no excess of commodities in the market; the increased equivalents on the one side being precisely balanced by the increased equivalents on the other. But if, while one class

So we may legislate increased pay for labor, and increased profits to capital till doomsday, and it will do no good unless *we increase the fund out of which labor is paid, and capital derives its profits.*

If the gross annual earnings of the nation, that is, the aggregate value of every thing produced, is but $3,000,000,000 after interest on the public debt and the cost of maintaining the Government have been deducted, that is all there is for the wages of labor and the profits of capital, and to attempt to make more of it by legislation is like the liberal-minded boy who divided his apple into eight parts that he might give two pieces to each of his four companions instead of one.

If we attempt to go beyond this we encroach upon previous accumulations, and reduce national wealth as well as the very capital that administers to production.

Security to capital, protection to labor, with money that no government shall change by its fiat—that is all labor wants and that is all capital has a right to ask. But just as long as idle money increases in value and money required to move the wheels of industry is subjected to loss, just so long must machinery rust and idleness fill the land; and if the present legislation continues in force there will be, there must be, more idle money next year than this, more idle machinery, more idle men, as prices must go lower and labor be paid less.

Secretary Sherman concludes, that because money is unemployed, there is too much of it, and that more contraction would better our condition. And the press everywhere triumphantly points to the large accumulation in banks and in the Treasury as proof conclusive that money is over-abundant, and should be got rid of. But is any other explanation of the accumulation of money in idle hoards needed, than the fact that it is profitable to hoard it and unprofitable to employ it?

As certainly as an unlimited issue of greenbacks would raise

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of producers were industrious, another class chose to be idle, there would undoubtedly be a temporary excess. It is clear, however, that this excess arises entirely from the *deficient* production of the idle class."

Again: "It is the incapacity of furnishing equivalents for the products they wish to obtain, that involves so many in want and wretchedness."—J. R. McCulloch's *Political Economy.*

prices and send money into circulation, so certianly does contraction lower prices and withdraw money *from* circulation. And at this point contraction has a double effect; for money withdrawn from use, while it so remains, is the same as money not in existence. Hence the real contraction is, in effect, far greater than the actual diminution of volume would indicate. Money hoarded, by lessening the quantity of money in actual use, reacts to still further depress prices. This principle is well settled in political economy.

On this point of the accumulation of money in banks, to show how history repeats itself, I will quote a few sentences from Thomas Attwood, one of the most vigorous writers on the question of resumption in England: "But, while masses of lenders are thus forced into the markets of interest,* the usual number of borrowers in those markets is decreased by the very same contraction of the currency which increases the number of lenders. For when the prices of property are so reduced that they cease to be what is called 'remunerating,' when they cease to be sufficient to cover the reward of industry, after paying the taxes and fixed charges which the law and the habits of society, and a paper system of twenty-five years duration have imposed, then all prudent and safe borrowers are alarmed at such a state of things, and none are found in the markets of interest, but some few who borrow with one hand in order to pay debts with the other.

"It is thus that the contraction of the currency determines it in masses into the markets of interest at the same time that it draws it up from the use of industry, and debilitates and exhausts the vital functions upon which the existence of the community depends.

"The very scarcity of money is thus brought to exhibit an apparent redundancy."

We may then deduce these two laws:

1. *To appreciate money is to provide for its withdrawal from circulation.*

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*The rate of interest is always lowest when money is rising in value and property falling, for the reason that it is then hazardous to employ money, and both safe and profitable to hoard it, and borrowers are unwilling to incur extra risks and lenders require greater security.

2. *Absolute barter is preferable to a medium of exchange that is undergoing constant appreciation.*

The key, then, to the explanation of the troubles and disorders of the times is not over-consumption nor over-production, nor want of consumption; *it is the constant appreciation of the value of money.* This is the fountain of evil, the Upas tree under which nothing thrives.

The wit of man has never devised an engine of wrong so powerful, so covert, so all-pervading, so mischievous, so ensnaring, AS A MONEY THAT IS UNDERGOING APPRECIATION IN VALUE. It overturns all established relations between property and debt, violates the faith of contracts, and sweeps as with a besom the garners of the poor for the benefit of the rich; it stifles industries, stops the growth of national wealth, demoralizes and degrades labor, generates a pauper class, and fills a country with want and misery. It is the one contrivance that "fertilizes the rich man's field with the sweat of the poor man's brow."

"Credit," said Daniel Webster, "is the vital air of modern commerce. It has done more a thousand times to enrich nations than all the mines of the world." "Credit," says Macleod "has raised Scotland from the lowest state of barbarism up to her present proud position in 150 years. Its solid results have been her far-famed agriculture, the manufactories of Glasgow and Paisley, the unrivaled steamships of the Clyde, great public works of all sorts, roads, bridges, and poor young men converted into princely merchants."

Enterprise in this country, as in every other growing and prosperous land, is largely sustained by credit. Homes are acquired, farms bought, improvements made, works carried on, in a large measure, with the use of credit. A change of fifty or a hundred per cent. in the value of money, and wreck and ruin cover the land. Is nobody responsible? Has legislation that demonetizes silver and decrees the destruction of legal tender paper money nothing to do with it? Secretary Sherman may ridicule the idea that the Government, or that the Republican party, has anything to do with the distress that burdens the country, but the truth nevertheless stands—IT IS

THE DIRECT AND NECESSARY CONSEQUENCE OF THE ACTS OF CONGRESS PASSED SINCE THE BEGINNING OF 1873.

As certainly as the filth and noisome atmosphere of London bred the plague in the seventeenth century, so certainly does the monetary legislation now in force produce the industrial blight that hangs over this country. By one and the same law value is added to the hoard of the miser, idle in his idle hands, and taken from the tools of production in the hands of labor; profits secured to idle hoards and denied to capital applied to production, denied to enterprise, denied to industry. That, and that alone, has diminished the powers of production, and by narrowing the fields of labor has cut down the powers of consumption. That, and that alone, has deadened the fires in forge and furnace, and shut up our mines of coal and iron. That, and that alone, has closed our workshops and left the hammer and chisel to rust beside the anvil and lathe. That, and that alone, has gathered money in idle heaps in money markets, and consigned hundreds of millions of capital in the most desirable form possible—tools and machinery for production—to dilapidation and waste. That, and that alone, has clogged the avenues of trade, and piled up abundance before the haggard eyes of want, left empty trains on railways and unladen ships upon the sea. That, and that alone, has forced into idleness and driven to beggary, within the very fields of earth's bounteous harvest, multitudes whose labor, if employment were not made impossible, would many times pay the annual interest on our national debt. And that, and that alone, will sink the country in hopeless bankruptcy and end in the disgrace of repudiation! Then creditor and creditor-nations may learn, when it is too late, that it is not their interest even, to drive the debtor to utter ruin.

Now what good has been gained, or what good is hoped for? what offset to come for the wrongs and losses the country has already sustained, and is destined still to undergo by such a monetary policy?

A few common-place reasons are kept on hand by resumptionists in support of their policy, and in explanation of the times, and handed about as though they were all-sufficient, and ought to silence every doubter.

REFUNDING THE DEBT.

We are told the rate of interest has been reduced on government bonds! Nevertheless, if at the same time bonds are changed from "coin" bonds to "gold" bonds, the transaction may prove a loss rather than a gain. And I ask in all sincerity why coin bonds can not be exchanged for new coin bonds with as much saving of interest as to change them for gold bonds? Will not they who have silver lend it at as low a rate as they who have gold? Interest for the use of greenbacks, to be repaid in greenbacks, is just as low as for gold to be repaid in gold. Is it different with silver?

The truth is, the country has been grossly deceived in this matter of the funding of the public debt, and the sooner that kind of metamorphosis is ended the better.

THE PUBLIC CREDIT HAS BEEN STRENGTHENED,

But does it count for nothing that private credit is destroyed: that the commercial standing and influence of our people has been lowered throughout the world? Is it possible that public credit has demanded the change of the public debt, first from a currency debt to a coin debt, then from a coin debt to a gold debt?* Suppose an individual makes a loan in lawful money, and to "strengthen" his credit, changes the obligation to coin, then to gold. Would it not be said of him "a fool and his money are soon parted?"

Nor has honesty, plighted faith, or credit required of us, as a nation, the concessions that have been made. On the other hand, our business sagacity has been more than called in question on this account.

A people prosperous in their trade, and with private credit secure, will not lack public credit. But show me a country where private credit is wanting; where wealth is in few hands and industries stagnant, and I will show you a Turkey, a Spain, a Mexico, without faith or credit.

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* Mr. Sherman did not entertain such views when he said in his place in the Senate: "If the bondholder refuses to take the same kind of money with which he bought the bonds, he is an extortioner and repudiator. * * * I say that equity and justice are amply satisfied if we redeem these bonds at the end of five years in the same kind of money, of the same intrinsic value it bore at the time they were issued."

The lack of confidence that will come first to shake public credit will come, not because *more than was promised* is not paid, but from distrust of ability to pay *as promised.*

Nor has the "strengthened" public credit so much to do with the rate of interest as the great abundance of idle capital, which comes from depressed business. The rate of interest in the principal money markets of the world, much of the time for the past two years, has been from one to three per cent.

BALANCE OF TRADE.

A favorable balance of trade is a desirable condition of things. But to suppose, as most people seem to, that the one hundred and sixty-six millions in our favor on last year's trade, as indicated by the books of the custom-houses, means one hundred and sixty-six millions of a balance paid us in gold, and that our country can go on indefinitely gathering gold in that way is a pure delusion. We sell goods by buying goods, and if we stop buying, our sales will diminish.* Balances to be paid in the precious metals do not long set in one direction. Moreover, an export trade may be gained by the loss of home trade and home production, far more important. It is what a country *produces* quite as much as what it *exports* that gives prosperity and determines wealth.

An old pamphleteer has said "That nation is comparatively wealthiest that has the greatest number of free people enjoying the greatest amount of the conveniences and comforts of life." Beside, there is nothing more deceptive than this balance of trade doctrine. Suppose a sugar merchant in Cuba ships to Baltimore 500 barrels of sugar, worth in Cuba $20 a barrel, or $10,000, and it is so entered in our customs books. But in Baltimore the merchant sells the sugar for $24 a barrel, or $12,000, and with the money buys 2,000 barrels of flour at $6 a barrel. This he exports to Cuba, and it is entered in the customs books as $12,000. Now there is a balance in our

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* The exportation of gold from any country to pay for goods bought in excess of goods sold, by increasing commodities at the same time that gold decreases, operates to depress prices in that country, and thereby to check importations. But goods imported to other countries to pay debts held there, do not, of course, have the same effect.

favor of $2,000. But suppose Mr. Secretary calls for this balance. It is against Cuba, and in our favor. We should have it. The merchant who made the transaction is hunted up. "Why," he says, "I have paid for the flour; I owe nothing." How much of this $166,000,000 of a balance are thus made up in profits or losses or absorbed in the carrying trade, the Secretary of the Treasury has no means of telling from customs accounts. But it is pretty safe to say that three-fifths of it is made up in that way.

But one thing we do know, and that is, that we have over a hundred millions due abroad in gold as interest, which stands on the ledgers of the world as a balance against us, each year to be overcome in our trade, or we must export gold to make it up; and, as Disraeli has aptly expressed it, "a debt due at home is like an irritating flea-bite, but when due abroad, it is an open bleeding wound."

DEPRECIATED MONEY.

Another fallacy taught is that our "depreciated" money cheats every one who takes it, and by keeping up prices retards production and interferes with our export trade.

Suppose the volume of paper money were increased tenfold, and the purchasing power of a paper dollar reduced to 10 per cent. of its present value, would that change the relation between an ounce of gold or silver and the quantity of any thing either would exchange for?

If an ounce of gold will buy twenty bushels of wheat, would it not buy twenty bushels then all the same? It would make no more difference than it would with the quantity of a piece of cloth whether it was measured with a yard-stick or a foot-rule.* Money that *depreciates in the hands of the holder* is a tax, as Jefferson said; but to say as Mr. Sherman does, that our paper money robs the possessor, is to teach falsely. Nor is it true that a money depreciated, or that is *undergoing depreciation*, retards production or lessens business. Hume says:

*The case is different with a credit currency convertible into gold. Then an increase of volume carries gold along, until adverse exchanges take the exportable part—the gold—away, when contractions of the paper, with falling prices set in, ending generally in panic and suspension.

"A nation whose money decreases, is actually at that time weaker and more miserable than another nation which possesses no more money, but is on the increasing hand."

It is true, enough, that money undergoing appreciation cheats, but not the holder; it cheats the one who hasn't it, and, unfortunately, that, as has been shown, is likely to be the producer and laborer.

"MUST COME TO HARD PAN."

They tell us that in 1861 we left a given level, and to that level we must return, and, returning, we will find it just where we left it—and that is "hard pan." This is absurd, and is based on the idea that gold maintains everywhere, and at all times a dead sea-level, or, as Mr. Sherman said in his Mansfield speech two years ago, "fixed as the sun." According to this notion, silver may be demonetized, all other kinds of money be given up, but still the value of gold will not change.

That old level we left in 1861 does not exist now, and will never be found again. The "rock bottom" that we hear so much talked about, and are trying to reach, is a will-o'-the-wisp that moves as we approach it. The demonetization of silver alone has sunk that old bottom fathoms out of sight. And as the work of substituting gold for silver and for paper in this and European countries goes on, it will sink nations in bankruptcy with it.

THE PANIC OF 1873.

When the vast structure of credit which had contributed so largely to the inflation of the times, fell in the crash of 1873, and when, more than ever before, the volume of stable money needed to be kept full, we reversed the process approved by experience and enlightened statesmanship,* and began, by the most wholesale measures of demonetization and resumption, to cut down the volume of lawful money, and to take away the last foundation of credit. Having done this we still attribute the bankruptcies and the continual shrinkage in everything (but debts and taxes) to the panic! It would be as rational for one

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*See Patterson's "Economy of Capital," "How Panics are Stopped," pages 99–105; also, McLeod's "Theory and Practice of Banking," Vol. ii., chapters 9 and 10.

to remove the foundations of his house and then attribute its fall to the excessive weight of the building.

The panic itself was more a consequence than a cause, and any necessary effect flowing from it had mainly passed away when resumption measures were begun in January, 1875. The times are due, not to the panic, but to the monetary policy inaugurated before, and renewed and enforced by adverse legislation since the beginning of 1873.

CONFIDENCE.

Another fallacy which comes up on every occasion, and is offered by shallow reasoners as a sufficient explanation of the times, is "want of confidence." But, pray, how can there be confidence? Confidence is the child of success. But when property and commodities are constantly declining, how is success in ordinary fields of production and in ordinary channels of trade to be expected? A ship may sail some points toward the wind, but never hard against it. Confidence will come when business prosperity comes, not before.

TIMES GETTING BETTER.

This is what we have been told for four years, and always with double assurances just before elections. If you will look over a file of New York papers you will find in nearly every number since the passage of the Resumption Act accumulative evidence that business was reviving.

Our most bountiful harvest undoubtedly will ameliorate the hard conditions, and help to ward off disasters that must otherwise come upon many. But it is but a ripple that moves a little the surface-water against the underflow that is carrying, and must continue to carry us down just as long as the appreciation of money goes on, whether it be two years or ten. Permanent improvement in production and business, with abiding confidence, is impossible while contraction of money goes on.

PREMIUM ON GOLD, AND RESUMPTION.

But the gold advocates point to the low premium on gold now rating in New York, and say "it is but a step more; hold

firmly and we shall soon be there."* And they assume that when once the premium on gold in New York disappears, resumption is attained and the struggle is over. But suppose there were no premium at all, would gold pour in to displace greenbacks? Two bodies of water may stand on a level, but the one will not run over into the other till their levels are changed. So two currencies may be at par with each other, but to take up one with the other is a different problem. If there were no premium on gold to-day its use could not be extended to take the place of greenbacks, and to become the only full tender money of 45,000,000 of people, without raising its value, as compared with other things, by from ten to twenty per cent., by that act alone.

The premium on gold in England was but four per cent. when resumption measures were begun, and had varied from 6¼ to ¾ per cent. between 1816 and 1819, when the resumption act was passed. Nevertheles, prices fell from forty-five to fifty per cent. before paper and gold were brought to a level. Nor did England propose the extinction of her paper money, as contemplated in our resumption act. Attwood says: "The reduction of bank notes was one-fourth or one-fifth, and the fall in prices has approached to nearly one-half."

Probably we do not have, on the average, five years in a century so favorable for our export trade and foreign exchanges as this present year. With the most abundant harvest ever known, there exists a great war in Europe. These influences may, for a time, reduce the premium on gold to the smallest fraction. Will that be the end?

According to official statements for September there were in round numbers $359,000,000 of greenbacks and $317,000,000 of national bank notes in circulation or on deposit. At the same time there were $106,000,000 in gold in the treasury. Of this sum $38,000,000 are held against gold certificates. Part of the remainder is due as interest on bonds called in, and part belongs to other funds, leaving a sum not specified as

* At the date of the passage of the "Resumption Act," the premium on gold was 11⅞. It has varied between 17 and 2½ since the Resumption Act was passed.

really applicable to purposes of redemption. It would be a satisfaction to know just how large this sum is from month to month. But if we assume it to be fifty millions*, the elements in the problem would then be: $50,000,000 of gold applicable to purposes of redemption, $359,000,000 of greenbacks to be redeemed, and $317,000,000 of national bank notes to be maintained at a level of convertibility, with fifteen months left in which to prepare for final resumption.

Greenbacks and bank notes must be cut down, on the one hand, and more gold bought and stored up on the other. The greenback volume is to be reduced to $300,000,000 before January, '79. No one denies the necessity of this step if resumption is to take place then. The volume of National Bank Currency will also be reduced. Suppose that falls also to $300,000,000; the note currency will then stand $600,000,000.

On the other hand, how much more gold must be stored up to make resumption practicable with $600,000,000 of paper afloat?

The country is full of financiers repeating the story of the Frenchman, that if he can have his money then he don't want it. But experience teaches differently.

First, then, how much gold must National Banks have before they can safely resume specie payments with $300,000,000 of notes out? Scarcely less than $100,000,000. They have, perhaps $25,000,000. They must then procure $75,000,000 more. How will they procure it? By presenting greenbacks at the Treasury; either this or retire their circulation. If $75,000,000, of greenbacks are thus taken to the Treasury for gold by National Banks, and the gold obtained therefor, placed in their vaults, the currency is contracted by this amount, since the greenbacks so paid must be canceled.†

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* The Secretary, in reply to a resolution of the House of Representatives, makes this sum in November, $57,436,071.

† Secretary Sherman, in his recent Mansfield speech, professes to be opposed to the withdrawal of the greenback currency. But on his theory that greenback notes are mere debts, that on and after January, 1879, are to be redeemed—paid —why, that is the end of them; and, according to his interpretation of the decision of the Supreme Court, greenbacks *de novo* cannot be issued. And this was his view in 1868, when he said in the Senate: "Notes that have been taken in and cancelled can not be reissued. I know of no law under which a United

Second, they who have duties to pay, if not allowed to pay in greenbacks, will present greenbacks at one door of the Treasury for gold to be paid in at the other. What amount of gold will be demanded in this way for duties in a year? Less than $50,000,000? Probably more rather than less. So much more contraction then, and so much more gold to be provided beforehand.

Third, they who travel abroad require gold, and they will get it by presenting notes at some bank or greenbacks at the Treasury. Finally, many people who hold greenbacks will prefer gold. They will demand it, if for no other reason, then for the very good one, that, as greenbacks presented at the Treasury are canceled, and thereby the volume of money reduced, the *value* of money, as compared with other things, will continue to rise, and, therefore, money will still be the most profitable thing to hold, and no other money would be as safe to hoard as gold.

And whoever expects to see redemption, with the removal of greenbacks from our currency, accomplished on the mere showing of a pile of gold, will find himself, I think, mistaken if the experiment is ever tried.

The Government must provide, then, to answer the demands

of National Banks, say........	$75,000,000
For duties on imports (or for interest on bonds if greenbacks are received for duties)............ ..	50,000,000
For general redemption................................	75,000,000
Total,	$200,000,000

or $150,000,000 more than it now possesses applicable to these purposes. Or suppose its entire deposit of gold may be counted on, and only $100,000,000 more is needed.

There is $100,000,000 of gold to be bought, to be hoarded up before January 1st, 1879,* and $75,000,000 of paper money to

States note once cancelled can be reissued or anything put in its place." (*See Congressional Globe.*)

* The Secretary of the Treasury seemed to think if he could sell 4 per cent. bonds to be paid for in matured 6 per cent. bonds now payable, that he could sell them as well for gold although he should hoard the gold. He has found the two operations very different. Four per cent. bonds that would doubtless have remained at par of exchange for six per cent bonds called in, fell below par of gold as soon as the gold began to be taken from circulation to be hoarded.

be destroyed! Will these operations have no effect on prices or business? The gold yet required, even on the lowest estimate, is more than half as much as is held by all the banks of England, Ireland and Scotland.

With no premium on gold, then, can we buy this amount without affecting the gold markets of the world? But a few years ago the direct transfer of only $15,500,000 on Alabama claims would not be allowed; nevertheless, people seem to expect a stream of gold to pour in upon the country as soon as the premium falls to zero.

Another element, too, in the problem, is how fast and how eagerly will other countries—Italy, Austria, Spain, Russia—bid for gold, not only to take the place of silver, but to substitute for their inconvertible paper, or, as we say, resume specie payment.

But passing this crisis and taking it for granted that resumption will be actually accomplished in 1879, can it be maintained?

The year 1879, or the next year, may see the conditions now existing reversed, and instead of seventy-five millions of bushels of wheat *above* an average crop, fifty millions *below* an average; and instead of a war, peace in Europe, with good harvests. As many such years visit this country in a century, one is as likely to come in '79 or '80 as any other time.

If there are in 1879 $600,000,000 of paper in circulation, based upon, say $200,000,000 of gold, and maintained for a time by means of this volume of gold at a level of convertibility, and an unfavorable balance of trade, or a less favorable balance than exists now, should make it necessary to export gold for even a part of the hundred millions of interest due abroad, what consequences would follow?

If $50,000,000 of gold are exported to pay interest, then $150,000,000 of the paper must be withdrawn in order to secure the same relation of coin to paper and maintain convertibility. Fifty millions of gold exported and a contraction in the currency of two hundred millions! Even with *no* debt abroad, under a mixed currency, and with the paper part extended to no more than three times the coin, in unprosperous

years, producing adverse exchanges, the coin has gone abroad, periodically involving sudden contraction, panic and bankruptcy. With our greenback currency we are fortified in large measure against such exigencies.

If the scale that gauges transactions and measures the property of the country is thus changed from seven hundred and fifty millions of units to six hundred, or to five hundred, or possibly to four hundred millions, what undertaking, what company in whose operations credit enters at all, can endure the revolution that must take place? Savings banks, insurance companies and like establishments, are the great debtor institutions of the country. They must invest their funds in order to pay interest and live. If such investments have been made on securities ordinarily counted the best—real estate, improvement funds and the like—what becomes of them when the new scale is applied? What railway company can long bear the burden of debts in such manner increased, when, by the same operation, business is diminished by lessened production?

But what other country would think of maintaining even $400,000,000 of paper on $200,000,000 of coin? Heretofore government bonds, railway and other securities have gone abroad to support exchanges. That is, we have been borrowing money with which to pay interest. In future, we must pay with our products or with the precious metals. Only madness—madness compounded of dishonesty and ignorance,—could impel the nation forward to this gulf of our own digging.

RESUMPTION VS. CONVERTIBILITY.

Are we never then, it may be asked, to have our greenback money brought to a level, or made exchangeable with, or convertible into, coin? O, yes; but convertibility is a very different thing from the destruction of one money and the substitution of another. Resumption, if by that is meant to bring all the money of the country to a common level, so that one kind is convertible at the option of the holder into another, is most desirable. But this word is not ordinarily used in this sense.

When a bank, which has notes outstanding payable on presentation, and which circulate SOLELY *on the faith that coin can*

be had for them on demand, has been obliged to stop payment, and then begins to take up its notes again, it is said to have resumed specie payments.

But, Government is not a bank, and greenbacks are a good deal more than bank notes that circulate on private credit, and the Resumption Act ought rather to be called the *Redemption Act*, because, under it, on the theory that greenbacks are due bills, when redeemed they are paid and that is the end of them.

Our money status in the beginning of 1873, was this: Greenbacks constituted the entire volume of the legal-tender money of the nation, in actual circulation, except in parts of the Pacific slope. But with it existed the right of the people to acquire any portion of the precious metals in existence, either from the common stock in the hands of man, or from the mines, that might be wanted, and by having the stamp of the Government certifying its weight and fineness put upon it, send it out as money. This right existed precisely the same as though, instead of greenbacks, we were using coin and required more coin.

And, had this status been left undisturbed, greenbacks, months ago, would probably have been interconvertible with coin, and we would have been at a specie level. In fact, it may pretty safely be presumed that the level of convertibility between greenbacks and coin of both metals has been actually passed.

But by the silver acts of 1873–4, the people were barred from the ancient and constitutional right of appropriating silver to use as money, and limited to gold alone, which, being thus enhanced by the preëminence given to it of being sole money, has so risen in value that all former relations have been changed, and the acquirement of gold for purposes of money is made impossible, except at a sacrifice that would be ruinous to the country.

The act thus debarring our right to the use of silver for money, and thus changing the metallic standard, I repeat, is the most stupendous fraud ever perpetrated upon a people, and more responsible for it than any other man is the present Secretary of the Treasury, then Senator from Ohio.

Shades of Hamilton and Gallatin! what statesmen have risen in these times to occupy your worthy seats!

Restore the constitutional right of the people to appropriate silver to its ancient use as money,* and make greenbacks of equal tender with coin, as Bank of England notes are, and we will very soon be at a specie level.

Treat the present greenback money as if it were so much coin—*coinize* it. Keep the fires of the Treasury away from it, and if *more* money is wanted, let it be acquired from the existing stock of precious metals, or be dug from the mines—that is, *let the* PEOPLE *convert it into coin* as they have need to. Let greenbacks be received for all dues and paid out again the same as coin. Then if fifty millions of coin has to be sent abroad, *we will still have our greenback money undiminished.*

And *whenever the* USE OF *greenbacks as compared with the quantity of this money, is as great as the use of gold and silver as compared with the quantity of these metals, greenbacks and coin are on a level and interconvertible.*† This is the law of convertibility, and whatever causes tend to equalize the use of paper and coin, tend to secure equality of value and convertibility.

Then dollar by dollar, if coin were preferred for special use to paper, the one would take the place of the other, and dollar by dollar coin could be changed again for paper, and this everlasting appreciation in the value of money and fall in prices would cease; business, confident of success, would start up, and the conditions of confidence being restored, confidence would come back; stability in prices would give to industry a

*The fear is often expressed that the remonetization of silver will drive gold out of the country. In the first place there is no gold in circulation to drive out; and next, it is of much more importance that both metals be money, than that both circulate in the same country. When both metals are alike money it is the total quantity of both in the world that governs prices, and except for their convenience, it does not matter whether both circulate in every country, or one metal in one country and the other in another—both make up the total volume of money. From 1822 to 1833, gold was at a premium of from 3 to 6 per cent., and silver, at that time, constituted the actual metallic currency of the United States.

† It is in accordance with this law that greenbacks are now rated above silver.

sure footing, and bring back life to the nation. But, says the public creditor, that would be inflation. *It would be inflation in the same sense, and in no other, that it would be, if having a currency of coin, more coin, in the course of trade, should be acquired.*

Should the government, however, buy with credit, that is with its bonds, silver, and pay it out in addition to our paper money, there might be temporarily the effect of inflation. But government should have nothing to do with buying silver; and left to natural laws, there would be neither inflation nor contraction.

England, after a desperate struggle, and after a quarter of a century of suspension of specie payments, restored convertibility to Bank of England notes, but she never sought to get rid of the notes themselves, but on the contrary made them legal tender; while we, forgetting all the lessons of the past, suppose we can destroy utterly the money now in the country, and with all ease, buy gold to take its place.

The warning of Mr. Huskinson has been lost on us: "If," said he in Parliament, "we are unable to rescue many of the victims from the ruin which depreciation guaranteed by law has brought on them, at least let it be a warning never to be forgotten, against any future tampering with the standard value of the currency."

In his speech in Parliament supporting his bill of 1844, Sir Robert Peel alluded to the Resumption Act of 1819, introduced by himself, in these significant words, "I am free to say that the Houses might, at that time, have taken into consideration *the consequences arising out of the alteration of the value of money*, BUT THEY DID NOT DO IT.*

Mr. Matthias Attwood, in Parliament, stigmatized the act "as a measure effecting more extensive wrongs, fraud, and iniquity

* Mr. Doubleday, in commenting on this remarkable passage, asks, "But WHY, Sir Robert Peel, *why* did they NOT DO IT? They did not do it, *because* they, understanding nothing themselves of the question, and pinning their faith upon the sleeves of two or three oracles not more infallible than themselves, were told by yourself, and more especially by the late Mr. Ricardo, that the whole difference involved was only a matter of four per cent."

than any measure that has ever been before imposed by its government on any people.

"Our hand was placed upon a spring, one of the most powerful of all those that move in the complicated machinery of civilized society, but we were ignorant of its potency of character. * * * * * * *

"These measures are laws by which we have enacted that an augmentation should be made to every debt which one man owes to another, and to that which the nation owes to the public creditor. For every £60 that we find owing, we have enacted by law that £100 shall be paid."

SILVER REGULATED IN VALUE BY COINAGE.

The present Secretary of the Treasury, while Chairman of the Senate Finance Committee, proposed to restore the "old silver dollar," to be coined in limited amount and to be legal tender to the amount of $20. And in their Cleveland platform the Republicans of Ohio, propose to have gold and silver as money, "except where otherwise specially provided by law" (which probably means interest on bonds), "with coinage and valuation so regulated that our people shall not be placed at a disadvantage in our trade with foreign nations." Now, what that really means I defy the one who drew it to tell

But if it means anything it means that the value of silver as money shall be determined by the *quantity coined*, which is substantially Mr. Sherman's proposition in the Senate. Mr. Sherman himself came all the way to Ohio to explain to the people what the government proposed to do, but on the vital question of restoring silver he deigned not a word. The silence is ominous.

From the earliest use of gold and silver for money till these recent acts of modern creditor-nations, aped by the United States, the metal silver, all there was in the world, was potentially money; an ounce uncoined was worth as much as an ounce coined. Like gold, its value as money was its value for any other use, and its value for any other use was its value as money, and that value was governed, like that of everything else, by quantity and use.

Nature, as it were, issued it, and as long as this principle was

left undisturbed, the value of the precious metals as money was beyond the reach of legislators and governments.

But if this principle, as expounded by Locke and Newton, is abandoned, and silver is to have one value as money and another as a commodity, what is the gain of making money of silver? Why not use bronze or gutta-percha? Can not the number of pieces be limited, and the value regulated, in the one case as well as in the other? But we are told that the silver of which the pieces of money are to be made has value other than its use as money. Granted, but so have iron, copper, bronze and paper; the difference is only in degree, and nevertheless, if the principle that all silver has the right to be money is abandoned, there is no way left of regulating the value of silver coins but by limiting the number of pieces, which can as well be done if made of paper as if made of silver. You have only silver greenbacks in the end, not convertible into gold. The Secretary of the Treasury, or the Director of the Mint, or some one else, must sit upon the safety-valve, and tell the people when the pressure is up and when it is down—when more money is needed and when there is too much!

The whole proposition amounts to this, and nothing more. If silver, without free coinage, is put out to take the place of paper, and made a limited tender, its value must be regulated precisely in the same way that paper money is regulated, and the result will be a money made from a costly commodity instead of a cheap and convenient one, and with no gain whatever *as money*. There is no ground of advantage for metallic money over paper money, unless it is left absolutely to self-regulation; and it is amazing that a proposition of such a nature should emanate from a Finance Minister, and be adopted as a governing principle in the platform of a party which has, as General Garfield boasts it has, "put its best thoughts in its platform," two hundred years after Locke's letters to Lord Somers on the value of money.

A proposition to regulate the value of silver "so our people shall not be placed at a disadvantage in our trade with foreign nations," would have sounded queer enough to old John Locke, who says that "money differs from uncoined silver only in this,

that the quantity of silver in each piece of money is ascertained by the stamp it bears, which is set there to be a public voucher for its weight and fineness;" and it must sound queer to every student of political economy. How is the government's certificate of the weight and fineness of a piece of silver going to disturb trade so disastrously as to place us at a disadvantage with other nations?

Won't an ounce of silver still be equal to an ounce of silver? Is the shape the piece is in, when it costs nothing to give it the shape of coin, going to change its value? This is absurd. To the extent that remonetization *extends the use* of silver, to that extent it tends to increase its value the world over; but coining it, when free coinage exists, does not alter its relation to trade.

Mr. Garfield seems to have been impressed for a long time with some weighty notion that silver is a very dangerous thing to permit people to trade in. He seems to view it much as our Teutonic friends across the water do the potato-bug!

As an illustration of the understanding that seemed to prevail during the last session of Congress, and prevails even now on the question of free coinage, I quote from Gen. Garfield's recent debate with Mr. Pendleton: "When silver had dropped from 102 cents on the dollar down to 71 cents; when a man in our coinage, which had been adopted, could have taken $71,000 of silver metal to the mint and had it coined into $100,000," and added, "that it did not seem to him to be quite the thing that a bullion-holder or a producer of silver should be allowed to make $30,000 clear on every $100,000," and to emphasize his position, he went on: "I was opposed to that and am still opposed to such an adjustment, allowing such a thing to be done."

When the right exists, for everybody who has silver metal to have it stamped at the mint, will anybody give more for it *after* coinage than *before?* If a given quantity of silver will exchange for a given weight of gold, say for 284 Troy pounds, or $71,000 will any one then give 400 pounds of gold, or $100,000, for the *same weight of silver* coined, when he could take the silver to the mint himself, if he desired, and get it made into coins?

Imagine an English bullion dealer who would give but \$71,000 worth of gold for a given weight of silver metal, rushing forth to give \$100,000 after it had been put through our mint!

Or if a pound of silver uncoined would exchange for fifteen bushels of wheat, would it exchange for any more in the form of coins, when (with free coinage) the one exchanging wheat for silver could take the silver to the mint and have it coined for himself!

According to General Garfield:—

\$71,000 worth of silver (measured in gold) + the government stamp - -	=\$100,000 in gold.
Therefore, the value of the stamps on \$71,000 worth of silver metal -	= \$29,000.

By parity of reasoning:—

\$1,000 worth of paper + the government stamp	=\$100,000.
Value of the stamp on paper - - -	= 99,000.

How foolish it is for our government to take silver to put its stamp on, when the stamp counts for so much more on paper!

With free coinage, the government has nothing to do with the purchasing power of the metal silver, or the metal gold, either before or after coinage. It names 23.22 grains of gold, and 371¼ grains of silver, when stamped as prescribed by law, *a dollar*, but what either will buy no government can prescribe. Nor can any one government alone prescribe the ratio at which the two metals will circulate together—not if it should appoint a commission to regulate it at 3 o'clock every afternoon. If by remonetizing silver its use is thereby extended, its value throughout the world, as before stated, would be increased. But that the mere stamping of silver at the mints (with free coinage existing) will change its value, is such an absurdity that one can only wonder that such a notion could prevail at all.

The case is, of course, changed if the government is going into the market to buy silver to make money of, and then, by *limiting* the coinage, regulate its value as money.

The proposition that the government shall buy metal, as it buys paper pulp, and make money out of it, letting the people have what the Secretary of the Treasury may think best, or what some banker in Wall street or Lombard street may advise, is the knave's device to blarney demagogue states-

men and deceive the people, but is too absurd to gain general acceptance.*

Equally absurd is General Garfield's high-sounding nonsense about flooding the country with silver on top of all other money. He says: "You ask for the largest possible issue of silver coin; not for the purpose of resumption; not to take up any paper that they want to redeem if presented, but to pour out upon the country a limitless volume of silver coin on top of all the paper in circulation."

Suppose we were using $360,000,000 of coins now in this country instead of greenbacks, and the people, in the course of trade, should acquire more silver; or should dig it from the mines and take it to the mints to be coined; would that not be "flooding the country" with more money, just as much as it would to restore silver metal to its monetary power now? There would be no more inflation in the one case than in the other; in fact, no inflation at all; but simply the establishment of the natural level between our currency and the currency of the world.

The question of the ratio between silver and gold is a matter to be determined by treaty with other nations. It is only necessary for a preponderance of nations to adopt a common ratio between silver and gold to keep always the two metals of the same relative value.†

GREENBACKS—SHALL THEY BE RETAINED OR DESTROYED?

This is a vital question. Upon it hang the gravest consequences.

If greenbacks are mere debt that can be paid as other debts are, without disturbing prices and business, it were foolish to contend against their payment and cancellation; but if they

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* The idea that the producer, or bullion dealer, if allowed to take silver to the mint and have it coined, will make the difference between the gold value of his silver before it is coined and its par value as money when coined, or that government by buying the bullion on its own account can make profit in any other sense than when it issues legal tender paper, is so absurd that one can only stand amazed that members of Congress, Cabinet Ministers, and "grave Senators," should be deluded by it, as indicated by discussions now going on.

† "Between England with gold valuation, France with gold and silver valuation, Germany with silver valuation; both metals were upheld for the purposes of legal tender money."—*Report on Depreciation of Silver, 1876.*

are money, having the full force and effect of coin, then they must be dealt with as coin would be, or the direst consequences must follow. Are greenbacks, then, money or not?

Any opinion or conclusion on this point at variance with the settled principles of monetary science can not long stand. It is on these principles, then, that we must rest our conclusions.

We must take no position, advance no theories, to which we cannot invite the investigation of science, and defy the criticisms of our opponents.

The theory upon which the whole financial legislation since 1867 has been based, is that greenbacks are mere certificates of indebtedness, or "due bills," as Senator Morton called them. which from the faith of the people in the Government that they would be paid, passed as currency. Secretary Sherman in his recent speech at Mansfield, consistent with this theory, most broadly asserts that all holders of greenback notes are rightfully entitled to interest on them as bills unpaid. He says: "What right have we as a nation, or has any bank or any individual, to force into circulation as money its note, upon which it pays no interest? Why ought not any one who issues a promise to pay on demand be made to pay it on demand, or pay interest on it?" *That is, it is not enough that greenbacks have been appreciated in value a hundred per cent., the holder should have interest besides!*

This is at once the most astounding and, at the same time, the most contracted view I have ever seen expressed. But, nevertheless, inconsistent as it is, it lies at the root of all our monetary legislation, and has already cost the nation more in loss of production than the war debt, and the people more in misery, if possible, than the war itself.

Musgrave well says: "The teachers of no science have so much human misery to answer for, or have assisted at so much fraud, as the doctors of political economy."* And especially is

* See the article on Resumption in the *North American Review* for November and December, by David A. Wells, as an illustration both of this maxim and of the narrow straits into which logic may be forced in defence of an erroneous principle. Greenbacks are not *mere debt;* they are money, and the possessor of them derives the same use and benefit from them that he would from coin, and

this true when these doctors, like Mr. Sherman, officially guide the action of Government.

Suppose the United States owed $360,000,000, for which its certificates of indebtedness, or "due bills," were out, but that these evidences of debt were outside and wholly independent of the money of the country. The payment of so much debt in that case, like the payment of bonds, would be a question of so much revenue to be derived from taxation in some form. Its payment would not change the level of prices, because it would not change the relation of money to other things, nor the relation of debt to property.

But the payment and cancellation of greenback notes is a very different thing. THAT IS TAKING UP THE CURRENCY ITSELF, and we must take it up in part, at least, without the substitution of anything in its place; and in the end with only a partial, not a full, substitution of other money. The effect is utterly to subvert the relation of money, debt and property, and to inflict measureless and irremedial wrongs upon society. And while this transition is going on, as already shown, industry is paralyzed, and the people are impoverished. This is the greatest evil, and before we have gone much farther we may learn, it is hoped, as Berkeley said, that "not gold but industry causeth a country to flourish."

But in fact, according to well established principles of economic science, greenbacks are as absolutely money as if made of metal, and their value is governed by precisely the same laws that govern the value of metallic money, namely: *the quantity on the one hand, and use or employment on the other*, and they determine prices the same as coin.*

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in this use he has full compensation, and is in nothing the loser, unless by increased issues they are depreciated in value. In fact, according to Mr. Wells' reasoning, the holder of fractional silver is all the time entitled to interest on his "depreciated money."

*"It may, indeed, be doubted, whether, since the new system of Bank of England payments has been fully established, gold has in truth continued to be our measure of value; and whether we have any other standard of prices than that circulating medium, issued primarily by the Bank of England and in a secondary manner by the country banks, the variations of which in relative value may be as indefinite as the possible excess of that circulating medium."—*Bullion Report, 1810.*

The recognition of this principle dates back to the rise of the science of political economy. Indeed, it was understood before political economy, as a science, had recognition.

Almost a hundred years before the appearance of Adam Smith's "Wealth of Nations," John Locke, with great clearness and precision, announced the principle upon which the value of all money rests: "Gold and silver, procuring what we want, or desire, only by their quantity, it is evident that the intrinsic value of silver and gold, used in commerce, is nothing but their quantity. * * * * *

"Supposing in any island separate from the commerce of the rest of mankind; if gold and silver or whatever else (so it be lasting) be their money, if they have but a certain quantity of it, and can get no more, that will be a steady, standing measure of the value of all other things. * * * *

"Money, while the same quantity of it is passing up and down the kingdom in trade, is really a standing measure of the falling and rising value of other things, in reference to one another; and the alteration of price is truly in them only. But if you increase, or lessen the quantity of money current in traffic, in any place, then the alteration of value is in the money."

And a dozen times in his essay on the value of money he says intrinsic value in money is nothing but its quantity.

In fact, Aristotle laid down substantially the same law in his ethics. "Money," he says, "is as it were the substitute for demands, and hence it has the name νόμισμα, because it is not so by nature but by law, and because it is in our power to change it and render it useless." * * * "Money, as a measure, by making things commensurable, equalizes them."

Mr. Macleod, perhaps the ablest of living writers, applies this principle directly to inconvertible government paper. He says: "It (inconvertible paper) becomes in all respects equivalent to a new standard, just as much as gold or silver, and its value will be affected by the same principles as these two, viz.: by the sole question of the quantity of it in circulation compared to the operations it represents."

Mr. J. R. McCulloch, long recognized as one of the ablest expounders of political economy, says: "Until very recently it

was universally supposed that the ability to convert paper into gold at the pleasure of the holder was necessary to sustain its value. But it is plain, as well from the principles already stated as from experience, that the mere limitation of the quantity of paper made legal tender is quite sufficient to preserve its value on a par with the value of gold, or to raise it higher. * * * Notes not legal tender and payable on demand, or at some stipulated period, are not paper money, though they serve the same purposes during the time they continue to circulate. The value of such notes is wholly derived from the confidence placed in the ability of the issuers to retire them when presented for payment, or when they become due. Whenever, therefore this confidence ceases, their circulation necessarily ceases also. But no such circumstances affect paper money—meaning by paper money, paper made legal tender, and not legally convertible into gold or anything else, at the option of the holders, or at any given period. No part whatever of the value of such paper money is derived from confidence. It circulates because it is made legal tender, and because the use of a circulating medium is indispensable, and its value, supposing the demand to be constant, is in all cases inversely as the quantity in circulation."

James Mill says: "If the obligation of keeping up the value of the paper to that of gold were suspended * * * a sufficient security against any considerable alteration of the value of the currency will be found * * * in keeping the quantity of it the same."

Mr. McLaren, in his "History of the Discussions on the Question of Currency in England," says: "Let us, then, suppose that at a time when we possessed our fair share of the gold of the world, government paper was issued until all the gold left the country, and the market price of that metal began to exceed its mint price, and that the issue was carefully and honestly limited to this amount. This paper would, according to all authority, supply the place of the gold, and no change would be made in prices or in the distribution of property by the substitution."

And Bishop Berkeley, in his Querist, asks, "Whether the

denominations (and quantity) being retained, although the bullion were gone, things might not, nevertheless, be rated, bought and sold, industry promoted and a circulation of commerce maintained?"

Cernuschi defines money as: "A value created by law to be a scale of valuation and a valid tender for payments."

Gallatin says: "It has been contended by distinguished writers, * * * that an irredeemable paper currency, not exceeding in its nominal amount that in value which is actually wanted, might be altogether substituted for gold and silver, provided that government should always regulate the issues so as never to exceed or fall short of that amount." And again: "If in a country which wants and does possess a metallic currency of seventy millions of dollars, a paper currency to the same amount should be substituted, the seventy millions in gold and silver, being no longer wanted for that purpose, will be exported, and the returns may be converted into a productive capital, and add an equal amount to the wealth of the country."

Mr. Fullarton, in his able work on "The Regulation of Currencies," says: "Inconvertible Government notes, though valueless in themselves, acquire a value in exchange, as has been shown from the conditions annexed to their emission, and by reason of that value, are received in exchange for commodities precisely on the same principle as coin. These two descriptions of circulation, therefore, fall naturally under a common head; and the phrase 'money' may by a fair analogy be applied equally to the one as to the other."

J. B. Say, too, the old recognized French authority, said of Bank of England notes, during the suspension of specie payments: "It must not be imagined that the paper money of that country derives its value from the promise of payment in specie which it purports to convey."

Mr. Ricardo lays down the same principle. He says: "It is on this principle that paper money circulates. * * * Though it has no intrinsic value, yet by limiting its quantity its value in exchange is as great as an equal denomination of coin. * * * On these principles it will be seen that it is

not necessary that paper money should be payable in specie to secure its value; it is only necessary that its quantity should be regulated according to the value of the metal declared to be the standard." And again: "A paper circulation differs in its effects in no respect from a metallic currency."

In fact, this principle, as contained in the Bullion Report of 1810, and expounded by Ricardo, Thornton, Lord Overstone, Torrens, Mushet, and others, was accepted by Sir Robert Peel as sufficient ground for the measures brought forward by him. On the other side, Attwood, Alison, Wilson, Graham and others, as fully admitted this principle while opposing the measures of the government. And in all the long and able discussions in England as to the principle that should regulate the currencies, there is absolute agreement on the point that *government issues of paper, made legal tender and in general circulation as money, in all essential qualities, are money.** But it seems to be the fate of this country to repeat all the errors, without profiting by any of the teaching, or the experience of other nations.

And they who now so glibly talk of greenback money as "worthless rags" exhibit at once the shallowness of their own understanding of the principles upon which money and the value of money rest.

Nor is greenback currency a "substitute" for money. Where is the money for which it is substituted? We might as well say the Russian soldiers fighting in Bulgaria are substitutes for the men raising wheat in Minnesota. Nor do greenbacks merely "represent" money. Where is the money they represent? Is there anywhere a pile of 360 millions of the precious metals that our greenbacks represent? Nowhere; all the other money in existence, paper or metallic, is doing its own work in the various fields where it is employed Equally absurd is the abstraction that greenbacks do not pay debts, but only transfer them! Have all the thousands of millions of obligations that have been discharged in

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* "The reduction of paper would produce all those effects which arise from the reduction in the amount of money in any country."—*Alexander Baring's evidence before the Secret Committee of* 1819.

these last seventeen years only been transferred? What a reckoning then there must be some day! If we shall go on as much longer with greenback money, as it may be hoped we will, we shall have the spectacle of a whole generation of people carrying on unlimited commerce and trade, all without money!

When the United States Treasurer issues his certificate certifying that the holder has deposited a given sum in gold which is held in the Treasury against the certificate, such certificate truly represents gold, and is, in fact, a title to it, the same as a receipt for grain stored in an elevator. Notes of the Bank of Amsterdam were such certificates, and there was always as much coin or bullion in the bank as there were notes out. But to say that greenbacks, or the inconvertible paper money of Italy or Russia* are not money, but "represent" money, is to set up a fiction absurd on its face. They are not metallic money, nor do they represent any metallic money. They are paper money. Nor does any one receiving greenbacks in all the daily exchanges that go on, accept them because of any promise to pay gold, or expecting gold for them.

And hence, Mr. Secretary, the holder of a greenback dollar is not entitled to interest on it. *Nor is he entitled to gold, nor the value of gold. He did not give gold nor the value of gold for it.* Every one is entitled to value equal to that he parted with when he received a greenback, and that is the full measure of all he is entitled to receive from society. As a piece of money it is evidence to him, just the same as coin would be, that he, or some one for him, has rendered society certain services, and is entitled to equivalent services in some form in return. The faith they rest upon is faith in the duration of the government that has issued them and made them money; *faith that their use as money will continue and not be lessened* nor their value impaired by any uncertain increase in quantity.

This is the true function of money as given by Aristotle, who says: "With a view to future exchange, if we have at present no need of it, money is, as it were, our surety that when

*In Russia, in Austria, in Italy, in Turkey, Greece, Brazil and other South American countries, as well as in the United States, while *nominally* gold or silver, or both are standard, the *valuation* is, in fact, at this time, *paper;* and in England alone is the gold standard fully effective.

we are in need we shall be able to make it; for it is necessary that a man who brings money shall be able to get what he requires;" and this doctrine is confirmed by the most illustrious names that have ever thought or written on the subject.

If, however, the piece of money is coin, and the quantity there may be of it is not limited by government, then its value is determined by the total quantity in existence, and regulates itself; and right here is the danger of adopting paper money. Its quantity may be so easily increased or diminished, and its value thereby changed.

But when governments interfere with the free coinage of the precious metals for money, they as directly change their value as if they were paper, and consequently the acts of our own and European governments in demonetizing silver just as directly increase the value of metallic money as they would if paper were in use in its stead, and the destruction of half of it had been decreed.

I enter into no discussion of the wisdom of the original issue of legal-tender paper money. That does not affect the question at issue now. There is certainly no argument that would have been valid against their issue then that is not equally valid against the destruction of greenbacks fifteen years after they have become the only full tender money of the country.

No, it is not as mere certificates of indebtedness or "notes of hand," although they bear the form of debt, that the greenback currency must be dealt with. As a mere debt the last note could have been paid years ago without the least disturbance to business. They are something more than debt.

GREENBACKS HAVE BEEN MONETIZED.

They constitute a volume of 360,000,000 of units of money and the measure of value for forty-five millions of people in all their daily transactions. And as money, their value is governed, in relation to commodities and the exchanges they are used to effect, by the same laws that govern the value of metallic money.

Hence, any forced contraction of volume is a direct and arbitrary alteration of value, that affects every debt and every

existing transaction, as well as all property, and the prices of all commodities.

EFFECT OF DESTROYING GREENBACKS.

And consequently the destruction of this volume of money must have the same effect on prices, and produce the same consequences to business, as would the destruction of as much gold, or gold and silver—if they were our money—as greenbacks supply the place of. That is, if instead of greenbacks, we had in circulation, say $300,000,000 of gold, then the annihilation of that gold, with the view of buying new gold from other countries to take its place, would be a work no more difficult to accomplish, and would have no different effect upon prices and business.

What would the people, if using coin instead of greenbacks, think of a proposition to annihilate it and buy from other countries coin of another color to take its place? Germany has been trying this very process of changing an established money for a dearer money of a brighter color, and after five years of trial, during which time, by loss of industry and derangement of trade, she has more than wasted the value of an indemnity greater in amount than all the gold California has produced, and calculated to impoverish and permanently cripple subdued France. The experiment has proved practically a failure, and her economists acknowledge the mistake; while France, having maintained a currency of steady value, is to-day less clogged, and moves with easier feet than any other nation in Europe.

Now, suppose Germany, instead of melting down her old coins into bullion and selling them as a commodity, had built a furnace, and, as fast as presented, to be exchanged for gold, had put them in it and reduced them to vapor, or had sunk them in the North Sea, she would then be doing just what we have undertaken to do, and nothing more.

Under the Resumption Act, we have already destroyed about six per cent. of the volume of greenbacks in existence when the Act passed. Can we suffer the destruction of the other ninety-four per cent. with impunity? If the threat to destroy and the destruction of a few millions have produced the results we have seen, what will the full accomplishment

do? How will it be when we come to the last million? Gentlemen, the night that must come before this end is reached has not yet cast upon us its shadow!

But, say the Republican financiers, we propose to move slowly in this manner. We don't propose to gather up in a night the whole of the greenback money: we propose to take away a little at a time, so as not to disturb prices! Indeed! *it is the changing from the higher to* the lower level that works the mischief to production and business, and if made slowly the agony is only prolonged.* If we could descend suddenly from one plane of prices to another and stand at once on the new level, debtors might be ruined, but production could go on. But, while making that descent, with rising money and falling prices, production, beyond immediate consumption, for reasons already explained, can not go on. The accumulation of wealth, therefore, ceases, and a nation in that condition gets poorer instead of richer.

History fully verifies this. Better far, then, if you could gather every greenback in a single night; if you could only substitute, dollar for dollar, the new money in its place, then business to-morrow would go on as to-day.

Is it to be supposed that, taking away a million to-day and a million to-morrow, and so on, will have a different effect on prices on the tenth day from taking ten millions on that day? As well, might you propose to pour Lake Erie into Lake Huron without changing their levels, by doing it gradually! Water will run from a higher to a lower level, but to force a body of water from a lower to a higher level takes work. A cheaper money will easily displace the dearer. Gresham's law is as true now as when first announced; but to substitute a *volume less in amount, and therefore of greater unit value, for a larger volume of less unit value,* that, though often tried, has never yet been accomplished. Revolutions have grown out of it; monarchs have lost their thrones by undertaking it. The trade of countries has been ruined; the foun-

*"The consequences of a contraction or expansion of the amount of money in a country seem more felt during the progress of such contraction and expansion than from any positive amount of money at any one given period."—*Alexander Baring's Evidence before the Secret Committee of 1819.*

dations of society broken up, the people impoverished and degraded, but it never yet has been carried out.

It was undertaken by Queen Elizabeth, and the Poor Laws of England are its fruits. It was undertaken again by William III. and the institution of paper money was the result. Charles V., Philip le Bel, Louis XIV., and hosts of rulers of less power and influence have tried it, and the history of every such period is a history of revolution and civil commotions, of people impoverished, trade cut off, laborers idle, with want and wretchedness everywhere abounding.

And if it were possible to substitute gold for greenbacks—if the terrible sacrifices we are making would give us gold in the end—and a gold dollar were put in the place of every greenback dollar, would the country be any the richer for that, so long as the gold was used simply as currency? No more than a merchant who takes part of his capital to buy a gold yardstick instead of using a wooden one, thereby increases his capital. He may convert his gold yardstick into capital, and so may a country that has a gold currency, but while *used as currency* it is no more capital than a like quantity of paper money.*

Hamilton says: "Gold and silver where they are employed merely as the instruments of exchange, have been not improperly denominated dead stock;" and Mr. Mill: "It is evident that whatsoever part of the national property goes to provide the medium of exchange is wholly inoperative with regard to production."

No, greenbacks are money, and, being money, like gold and silver, they are precious. Cernuschi has well said gold and silver are not money because they are precious, but precious because they are money; and hence any act of Government that lessens the use of silver by taking away its use as money lessens its value, and any act that increases the use of gold—the quantity necessarily remaining substantially unchanged—

* "Metallic money, whilst acting as coin, is identical with paper money, in respect of being destitute of intrinsic value; with this single difference, that when it is desired to reproduce that intrinsic value, the sovereign can be instantly turned into bullion." * * * "Still, whilst circulating, both make no use of intrinsic value; and this is the great point to grasp firmly."—*North British Review Nov., 1861.*

increases its value. The same law applies to greenbacks. Lessen the quantity and you increase their value.

With a true understanding then of their rights, the demand of the whole people should be, "NO MORE ALTERATION IN THE VALUE OF MONEY BY LEGISLATION. RESTORE SILVER AND SAVE THE GREENBACKS; A JUST BALANCE FOR THE DEBTOR, AND A JUST WEIGHT FOR THE CREDITOR, SECURITY TO PROPERTY AND PROTECTION TO LABOR."

The defence of these principles is the defence of the rights of property, and the rights of labor.

I.—THE THEORY OF OVER-PRODUCTION.

No doctrine so pernicious was ever taught as the doctrine that the present low prices and stagnation in trade and production are due to an *over-production* in the prosperous years preceding 1873.

The "mercantile theory" of the last century was not half so detrimental to the trade and commerce of the nations which accepted it, as has been the false and absurd doctrine of over-production proclaimed in reports from high places, and given out so persistently through almost the entire press of the country, and repeated everywhere from the stump in the political campaigns of the last three years.

Men, in almost the same breath, talk about over-production and at the same time nothing to buy money with. So persistently and with such assurance has this doctrine been taught that at this time, out of a hundred men one meets, ninety-nine accept it as true, and apparently think the only proper thing to do is to stop production till the "surplus" is worked off.

Nothing is more hurtful than such false theories of economy when believed and acted upon by the whole people. The same doctrine was put forward in England from 1816 to 1821, in explanation of the financial distress attending the resumption of specie payments by the Bank of England, and was for a time as universally accepted to be true there, as it has been here, since 1873.

The utter absurdity of the theory, however, was early pointed out by the able political economists which this period of English distress brought out. And the strangest of all things is that this country has profited by nothing that England then experienced, but on the contrary has been repeating all her mistakes, as though there was no school to learn in but the dear one of experience.

Among the first to point out the error and the absurdity of the over-production theory was Mr. James Mill, one of the clearest thinkers and most concise writers that have ever dealt

with questions of political economy, who says: "A commodity which is the instrument of demand is always at the same time a commodity added to the stock of supply. Of two men who perform an exchange, the one does not come with only a supply, the other with only a demand; each of them comes with both a demand and a supply. The supply which one brings is the instrument of his demand, and his demand and supply are, of course, exactly equal to one another. But if the demand and supply of every individual are always equal to one another, the demand and supply of all the individuals in the nation, taken aggregatively, must be equal. Whatever, therefore, be the amount of the annual produce, it never can exceed the annual demand." Instead of over-production in the aggregate being possible, supply and demand, on the whole, are and must necessarily be equal.

Professor Nicholson, late of Trinity College, Oxford, puts the same thing in this form:

"What is demand?" and answers: "Demand is the offering a commodity which we have in exchange for one which we want!"

"What is supply?" "Supply is the commodity itself which we offer in exchange."

"Can demand, as we define it, exist without supply, or supply without demand?"

"Certainly not, for we must furnish a supply of some sort or other in order to offer it for the commodity which we want."

And John Stuart Mill says: "A want of market for one article may arise from excessive production of that article; but when commodities in general become unsalable, it is from a very different cause; there can not be excessive production o commodities in general."

And again: "The argument against the possibility of general over-production is quite conclusive, so far as it applies to the doctrine that a country may accumulate capital too fast; that produce in general may, by increasing faster than the demand for it, reduce all producers to distress. This proposition, strange to say, was almost a received doctrine so late as thirty

years ago; and the merit of those who have exploded it is much greater than might be inferred from the extreme obviousness of its absurdity when it is stated in its native simplicity.

"It is true that if all the wants of all the inhabitants of a country were fully satisfied, no further capital could find useful employment; but in that case, none would be accumulated. So long as there remain any persons not possessed, we do not say of subsistence, but of the most refined luxuries, and who would work to possess them, there is employment for capital; and if the commodities which these persons want are not produced and placed at their disposal, it can only be because capital does not exist, disposable for the purpose of employing, if not any other laborers, those very laborers themselves, in producing the articles for their own consumption. Nothing can be more chimerical than the fear that the accumulation of capital should produce poverty and not wealth, or that it will ever take place too fast for its own end. Nothing is more true than that it is produce which constitutes the market for produce, and that every increase of production, if distributed without miscalculation among all kinds of produce in the proportion which private interest would dictate, creates, or rather constitutes, its own demand."

And again: "What a country wants to make it richer, is never consumption, but production. Where there is the latter, we may be sure there is no want of the former."

Of course, there may be such a multiplication of any given commodity that it will not sell, or exchange for other things, at rates that will be remunerative to the producer of the given commodity; such an accumulation of particular commodities as to raise them above the general level of supplies is continually taking place.

But if production is subjected to no influence but the natural conditions of trade, all such excesses are self-regulating; and this may take place either by a decrease in the particular product, or in a general increase of other products.

But this does not affect the question of a general over-production. That is equivalent to saying a country is too rich.

For of what does the wealth of a nation consist but of all those things that have been produced, and which the assessor, when he comes round, enumerates as constituting the wealth of each and every property-holder?

It is not over-production that has brought upon us the distress everywhere experienced. It is the derangement of the medium by means of which the exchange of commodities is effected that stops production and makes the accumulation of wealth impossible. *It is a constant increase in the value of money.*

It is impossible to carry on production in any country while the money, or medium of exchange, of that country is being appreciated in value by legislation.

And of all schemes of robbery none is so dangerous, because none is so subtle, as a change in the value of money.

It was in the name of liberty that all liberty was overthrown in France in the last century, and it is in the name of honesty and honor that the most outrageous wrongs are being perpetrated in this country by the changes made in the value of money while in use among the people, as the common measure in the exchange of commodities and the payment of debts.

There was no period of 365 days from the beginning of the war to the end, during which the national debt increased, day by day, and month by month, as fast as the *burden of that debt* has been made to increase upon the shoulders of those who must bear it, during the two years last past. We pay our debts with what we produce, and any increase in the value of the standard that measures the commodities we pay with, is equivalent to an increase in the debt itself. Shall we vote ourselves fools, then, and by our own acts elevate the standard that measures the products we pay with? Certainly equity makes no such demand. Already we must produce almost twice as much cotton, wool, iron, steel, and commodities generally, to pay the same interest on the debts of the country, as was required three years ago. How much farther shall we pursue this phantom? Away with the delusion that the evils the country is suffering are the result of too great industry!

The sooner we repudiate the shallow philosophy of "over-

production" and believe and work on the principle that the more we produce and have the better we can live and the easier we can pay what we owe, the sooner our prosperity will begin again; and to the extent the Resumption Act, or the act demonetizing silver are hindrances to production, they are hindrances to the payment of the debts of the country, and the return of prosperity.

Just as absurd is the idea that it was the extravagance of the laboring classes during prosperous periods that has produced all the mischief.

It is always foolish for any one to consume all he earns as he goes along. But one who labors ten hours a day, six days in a week, and spends it all, not only *contributes* more to the common whole, but *leaves* more, than one who economizes to the limit of bare necessities, and works but half as much. Even though neither saves for himself, the profits that remain to others on what each produces and consumes, are twice as much in the one case as in the other. But according to the ideas of most people, as one hears them expressed nowadays the economy that buys nothing and of course produces nothing, is that which will enrich the individual and add wealth to the nation. The kind of economy, however, that saves and adds to re-production is the kind that conduces most to national wealth; but that does not come of idleness and non-production.

Equally errroneous is the reasoning that the "floating" capital of the country became metamorphosed into "fixed" capital in the process of railroad building. One would almost be led to suppose from what has been claimed in this connection, that notes, bills, drafts, bonds and stocks had been transformed into ties and iron, or had gone to make up embankments, and had thus become "sunk" capital. The truth, however, is that while money and capital changed hands in the building of railroads, as in any other work, they did not, in the sense claimed, necessarily become "fixed." Railroads are the product of labor, from ore in the hills, coal in the mines, timber in the forests, the embankments, the masonry, the bridges; everything is the result of labor, to support which the consumption of food and

clothing was required; but the money expended for these things was not destroyed. It was gathered into other hands, but not lost.

The railroads are the resultant of the food, clothing and other things consumed, as much as the cocoon is the product of the silk-worm that feeds upon the mulberry. To those who furnished the capital, that is, to the investors in shares or bonds of railways, to the extent they have proved unprofitable, of course, they are losses, and to that extent the result to those who thus expended their capital, is the same as though they had expended the same amount in supporting laborers in idleness, or had supported labor to build a pyramid or delve in a mine that yielded no return.

But suppose we had now on hand the material and supplies consumed in the construction of our railroads instead of having the roads, would the country be richer? Or in the production of what could the same things have been more profitably consumed?

Moreover, *floating capital* may be, and often is *increased* by the building of railroads. This is true in the case of the Cincinnati Southern Road, where in lieu of the food, clothing and other materials consumed in the construction of the road, the bonds of the city of Cincinnati have been issued. These bonds, although a debt of the city, are as much "floating" capital to the holders, as Government bonds or British consols would be. The same is true of all roads whose stock or bonds yield profits, or enter the market. Hence, neither of the causes assigned, nor all of them, account for the state of affairs at present existing in this and other countries.

The one cause that accounts for all is *the rise in the value of money* decreed by legislation since the beginning of 1873.

II. RELATION OF VOLUME TO VALUE OF MONEY.

Having at any time a stated volume of money to which prices are adjusted, it becomes of great importance to ascertain the effect of a given diminution of volume upon the *value* of the part remaining.

And this is a question of the utmost importance at this mo-

ment, in view both of the contraction of the volume of paper money in this country and the demonetization of silver. But while statistics are abundant enough to prove that, in every country, the expansion or contraction of the volume of money is invariably attended with a rise or fall in prices, yet no one, so far as known to the writer, has undertaken to show what ratio (if there be any certain ratio) exists between a *diminution of volume* and *rise in value* of money, and between an increase of volume and the decrease in value. The modifying causes are so many and so complicated that, perhaps, no data have been collected sufficient for establishing any definite proportion. Nevertheless, there must exist *some* ratio, and that ratio must be subject to economic laws, and ought to be subject to approximate calculation.

The four conditions which affect the value of any commodity or any economic quantity are: Decrease in quantity, increase in demand; decrease in demand, increase in quantity; and most writers, when treating of these relations as they pertain to money, have assumed that a decrease in quantity would be followed only by an equal increase in value, and *vice versa*.

Fichte says: "The amount of money current in a state represents all that is purchasable on the surface of the state. If the quantity of purchasable articles increases while the quantity of money remains the same, the value of the money increases in the same ratio; if the quantity of money increases, while the quantity of purchasable articles remains the same, the value of money decreases in the same ratio."

Hume says: "It is not difficult to perceive that it is the total quantity of the money in circulation, in any country, which determines what portion of that quantity shall exchange for a certain portion of the goods or commodities of that country.

"It is the proportion between the circulating money and the commodities in the market which determines the price."

John Locke says: "Silver is the measure of commerce by its quantity, which is the measure also of its intrinsic value."

Mr. James Mill, in his admirable treatise on political economy, says: "And again, in whatever degree, therefore, the

quality of money is increased or diminished, other things remaining the same, in that same proportion, the value of the whole, and of every part, is reciprocally diminished or increased."

Cernuschi states the same proposition thus : "The purchasing power of money is in direct proportion to the volume of money existing."

Ricardo, on this principle, reasoned that prices in England, under the effect of their Resumption Act, would fall only by a per cent. equal to the difference between gold and paper—at most, four or five per cent. But the facts show that prices generally fell from forty-five to fifty per cent. before gold and paper were brought to a level; and in fact, experience the world over, shows that this reasoning does not take cognizance of all the elements that come in to affect demand, and to vary the relations between quantity and value, as regards both commodities and money.

While, undoubtedly, as long as conditions are *at rest*, a given relation between the quantity of money and goods or commodities determines price, nevertheless, it does not follow that when this relation is varied, either by a change in the quantity of commodities, or in the quantity of money, that *price* varies in the same ratio.

Such calculations leave out of view the influence of credit and credit expedients which perform the function of currency, and often exceed many times the volume of actual money. With a stable volume of money and other conditions *at rest* this influence may be considered as also comparatively stable. But with a volume of money that varies without a corresponding variation in transactions, credit rises and falls much more rapidly than money varies. And especially is this true when money grows scarce by contraction of volume, and prices are falling. Then credit is restricted to the narrowest limits and is often utterly overthrown in *panic*.

Also, any cause that operates to affect demand, affects prices, and these causes are often of a psychological nature, especially when money is the subject of special anxiety.

Perhaps the most potent cause of all of the disproportion be-

tween a change of volume and value is the *activity of exchanges.* Indeed, quantity of commodities never alone determines price. It is quantity multiplied by activity of exchanges that creates *intensity of demand.* The quantity of goods remaining the same, a sudden increase from any cause in the activity of exchanges would have the same effect on prices as a decrease in the quantity of goods.

If a volume of money could be made to vary, by self-adjustment, with population, accumulated wealth and activity of exchanges, a stable and nearly perfect measure of value would be obtained. Prices of commodities would then vary only with supply and demand, and there could be no *general* rise or fall of prices such as takes place when the measure itself—money—varies; for price is determined by supply and demand, *with relation to a given volume of money.*

Probably, however, no two commodities would show the same variations in relation of quantity to price. The *intensity* of demand for articles of prime necessity, as the quantity diminishes, is much greater than for other things; and money being endowed with that pre-eminence which requires that all other things must be converted into it in daily bargains of purchase and sale, as well as for the extinguishment of debts and the performance of contracts, the suspicion even of a scarcity often suddenly and excessively raises its value.

The power of money in this respect has greatly changed since the time of William the Norman, when, in England, all products were converted into money at established prices, and when taxes could be paid either in money or in goods at fixed rates. If it was easier for the farmer to deliver to the tax-gatherer an ox, or "bread for a hundred men," than to pay a shilling, he could do so; otherwise, he might pay the shilling. And to a large extent, even down to the early part of the present century, in Poland and other parts of Europe, the same system has been in force.

But now, when ninety-nine per cent. of all transactions are for money, the case is very different. A fresh demand for even a small part of the currency in any country is suddenly felt in the dearness of money, indicated by a fall in prices. On

the other hand, any considerable increase in the quantity of the currency is immediately followed by a rise in prices, denoting a decline in the value of money. It makes a very great difference, however, especially in the case of a diminishing volume, whether the diminution be sudden or slow. If sudden and soon ended, although debtors may be ruined, prices become adjusted to the new volume, and productions and exchanges, according to the new scale, go on; but if slow, and prices go on declining, investments become unprofitable, money then gains in purchasing power by hoarding instead of gaining by use; exchanges are retarded, business is clogged, debts press heavier and heavier and compel the sacrifice of property, credit declines in an accelerated ratio, and thus a multitude of causes co-operate to force prices down.

On the other hand, a gradual increase in quantity is generally absorbed by increased production and the greater activity in business which is sure to attend any indication of a rise in prices. Hence, the vast increase in the precious metals since the gold discoveries in California and Australia has not been followed by the rise in prices that was predicted by Chevalier and others. But production, trade and commerce have meantime increased among the European countries, and in America from 150 to 300 per cent.; while probably but about thirty six per cent. has been added to the stock of the precious metals. And, in general, an *increase* in the volume of money is followed by less violent change of prices than a *decrease* of volume. And this is measurably true of other things.

Lauderdale quotes approvingly Gregory King's calculations, made before the repeal of the Corn Laws, that a defect in a harvest in England of one-tenth below the average increased the value of the remaining nine-tenths thirty per cent.; a defect of two-tenths, eighty per cent.; and a defect of one-half increased the value of the yield 450 per cent. Sir John Dalrymple, from various statistics, estimated that, on the average, a diminution of one-third in any marketable commodity increased its value a hundred per cent. But commodities vary so much in this respect that, perhaps, such generalizations are not very reliable.

But, if these estimates be even approximately correct as to commodities which to a greater or less extent may be dispensed with, what must be the effect on the value of that commodity into which all others *must* be converted before obligations can be discharged?

The first effect of a diminution in the volume of money as shown, is the falling off in the uses of credit expedients which ordinarily, and especially with rising prices, so largely supply the place, and perform the functions, of money. This again is followed by a rapidly-increased *intensity in the demand* for money. Take any period of panics, or take the period of resumption in England, from 1819 to 1821. The decrease in Bank of England notes and the notes of private banks was about 23 per cent. between 1818 and 1821, but the rise in the value of bank notes was about 90 per cent., as indicated by a fall in prices of 45 to 50 per cent.

In this country since January 1, 1875, the direct decrease in the volume of the currency has been but about eight per cent., while prices have declined, on the average, nearly fifty per cent., which means that money has risen in value 100 per cent. This change of values applies to gold prices as well as currency prices—the difference being merely the variation in the premium on gold. The reasons for this immense fall in prices under so small a contraction of the currency lie, in part, outside of the questions under consideration, and partly in the demonetization of silver and the consequent increase in the value of gold.

We had at the beginning of 1874 a given quantity of commodities, with credit and prices adjusted, under a given activity of business, or rapidity of exchanges, to a given volume of money, consisting entirely of paper. To the extent this paper money had displaced and taken the place of metallic money, to that extent it was as much an addition to the total volume of the money of the world as though so much gold and silver had been added, and the same laws governing the change of values that follows an increase or decrease in metallic money, must hold good with *any other money*. In case, however, of purely credit money the value and circulation of

which depend altogether upon the accredited ability of the issuers to redeem it, quite other elements enter into the problem. These elements were present and greatly affected the value of greenback notes in 1863–4, but are scarcely present at all now.

Apply, then, this principle to the value of metallic money, and at once the effect of the demonetization of silver becomes apparent. According to Ernest Seyd, the proportion of silver to gold in use as money in European countries, taken together is very nearly as 3 to 5 (3 of silver to 5 of gold), two-thirds of the silver being full legal-tender money, and one-third being used as subsidiary coin. In Asiatic countries, on the other hand, silver largely preponderates. Suppose then, the two-thirds of the silver in use as full tender money in Europe to be demonetized; that would be equal to one-fourth part of the total volume of metallic money circulating in Europe.

If the result of this diminution of quantity by one-fourth be to increase the value of the remaining three-fourths in the ratio given for commodities or paper money, the effect must be to raise the value of metallic money in Europe and America, *from this cause alone*, nearly, if not quite, one hundred per cent., or, which is the same thing, depress prices fifty per cent.; and a decline of prices of fifty per cent., is equivalent to doubling all debts contracted with prices adjusted to the full volume.

It is too astounding to believe that legislators could bring such consequences upon a country, and yet this conclusion is sustained by abundant facts and the evidence of experience, and is, it is believed, substantially true! But go a step further. The demonetization of silver in Europe and the United States, if carried out as begun, would be followed by such a diminution in value, that in time demonetization must extend to India and other parts of the Eastern world. And if silver constitutes one-half the full tender money of the world, then its demonetization, other things remaining the same, would lessen the total volume of metallic money by one-half, which must much more than quadruple, for a time at least, the value of the remaining half! What a prospect for debtor-nations! What a prospect for the United States, the nation of all others most burdened with debts!

The effect of such an increase in the value of money, to go on through a term of years, on productive industries and trade, can be imagined from the effect already experienced through the rise in the value of money that has taken place since the beginning of 1875.

Alison suggested that the English Restriction Act of 1844 be styled "An act for the more effectual transferring of panics from agriculture to commerce, and for perpetuating commercial catastrophes in Great Britain." With how much more propriety our Resumption and Silver Acts, standing together in the relation they do, might be styled, "Acts to provide for the general confiscation of property, to stop production, make trade unprofitable, and prevent the employment of labor."
April 6, 1877.

III. INTERNATIONAL FINANCIAL PROBLEMS.

I. Leaving out Spain, Turkey, and a number of smaller States, the four great nations, Russia, Austria, Italy and the United States are indebted, according to Ernest Seyd, to five other nations, namely: England, Germany, France, Belgium and Holland, in sums as follows:

The United States (including states, counties, &c.)	$2,250,000,000
Austria	1,730,000,000
Russia	1,375,000,000
Italy	1,255,000,000
Total	$6,610,000,000

These sums are in addition to the indebtedness of these countries held by their own citizens respectively.

These same nations are all now using, as money, incovertible paper, made legal tender. Russia, Austria and Italy have out a total of $1,500,000,000, and the United States, including National bank notes, say $650,000,000; making an aggregate $2,150,000,000 of inconvertible paper money.

Influences have been, and still are at work in these several debtor-countries, the same as in the United States, to bring about the demonetization of silver and the adoption of the single gold standard.

To enable the four nations named to even bring their inconvertible paper money to par with gold—to say nothing of

redemption, or the substitution of gold for paper—will require, according to the authority quoted above, at least $750,000,000 *more gold than these countries now possess.* That is, to enable them, not to redeem their paper money, but merely to give convertibility to it, they must buy $750,000,000 of gold from the common stock of the world, or about twenty per cent. of the entire volume in use as money. This $750,000,000 would, in that event, be extended over new areas, while, at the same time, present requirements for gold in countries now using a gold currency would not be lessened. It is plain enough to see what the effect of this new demand will be on the value of gold. Stated more concisely, the United States, Russia, Austria and Italy, as debtor-nations, owe to four or five other nations, besides what they owe respectively to their own people, $6,610,000,000. The same countries are using inconvertible paper money to the extent of about $2,150,000,000. They are supposed, however, to want "honest money" and to be in favor of the single gold standard, and also—if all are like the United States, and there can hardly be any difference as to their obligations—to be in favor of paying their debts according to a standard of honor that is measured by the dearest possible money.

It is supposed, therefore, that these four nations desire:

1. To adopt the single gold standard and pay their debts in gold, or according to that standard.

2. To buy from the common stock of gold now in use as money, at least $750,000,000, or twenty per cent. of the whole stock, in order to bring their paper to par with gold, and render it convertible.

3. It is proposed, furthermore, to demonetize silver in all these countries except for token coins, and thus to displace both silver and legal tender paper with gold, thereby extending the use, and with it the demand for this metal, so that by all ways possible, the coin left to measure debts, shall be raised to the utmost limit. Of, course, while this is going on, all other things—commodities, products, property of every description—as measured by the increased standard will be correspondingly reduced in price. Production, with falling prices, is checked, and hence, instead of increasing its wealth, a nation,

under such a state of things, is compelled to draw on previous accumulations to meet its obligations. Now, how far can these four nations pursue (its accomplishment by all at the same time is impossible) this object, without bankrupting the whole of them?

Suppose the nations now using legal-tender paper should continue its use, cease their demand for it, and restore and retain silver as money equally with gold, would not gold fall? And do not present prices prove that there is room for *gold to fall ten per cent. or more before passing the level of average ante-war prices?*

October, 1876.

IV. SILVER GREENBACKS.

Senator Sherman's proposition to coin silver dollars to take the place of greenback notes, and to be a legal tender only to the extent that greenbacks are a legal-tender, is a proposition, in effect, to make greenback notes of silver instead of paper, and nothing more.

If silver is no longer to be money equally with gold, and as full a legal-tender in national and international commerce, then to make dollars of it for use as subsidary coin, or for limited tender, no more brings us into unison with the money of the world than if such dollars were made of copper or bronze. To be sure our dollars would be made of a commodity, but of a commodity no longer having money value as a metal, and hence as compared with gold might be of one value to-day and another to-morrow. Not one single advantage will such silver dollars possess over greenbacks *while used merely as money.* They can be melted down and sold for what the metal may be worth for use in the arts, as our bronze or nickel pieces may be now, but *as money* they would afford no advantage.

The proposition, therefore, to buy silver with bonds to make limited tender dollars of, to substitute for greenback dollars, is a proposition to augment the interest-bearing debt to that amount for no real gain whatever. The dollars made of silver would not, to be sure, carry any promise with them to pay something else, but they would be subject to variations in

value as much as greenbacks, and possibly more, as we have seen to be the case within the last year. If the demonetization of silver should become general, then this metal would, possibly, fall—perhaps not to the level of copper, but not much above it. In that case the regulation of the value of silver dollars could be made only in the way the value of greenback dollars is governed now, namely, *by limiting the quantity*. In the one case the regulation is through the printing press, and in the other it would be through the coining press. There would be no natural limitation in the one case more than in the other.

There is no middle ground between mono-metalism and bi-metalism. Either silver must be made money for all purposes equally with gold, or its value is no more certain than greenbacks, but is left subject to the same conditions that govern legal-tender paper issues, namely: the quantity printed or coined, as the case may be, as compared with employment or use as money.

Let the people not be deluded then, into the belief that the substitution of silver for greenbacks is restoring the former status of money. It is far from it. Indeed, it is no approach to it. Nothing but the free coinage of silver with unlimited tender, the same as gold, in the old ratio (or better still, in a ratio to be agreed upon by an international commission), will afford needed relief and meet the ends of justice.

When our vast debt was being created fifteen years ago, and when the bulk of the $4,000,000,000 of National, State and municipal debts was being piled up, prices were adjusted to a volume of money consisting:

1. Of the total quantity of gold in the world in use as money, say $3,500,000,000.

2. The total quantity of silver in use as money, say $3,500,000,000.

3. The coin value of the total quantity of legal tender paper money issues. This volume reached in various countries in 1874 over $2,500,000,000, and to the extent this legal-tender paper money took the place of gold and silver, to that extent it was an addition to the total volume of money.

4. The total quantity of convertible paper money in use—which to the extent it took the place of coin or added to the volume of money in actual use, acted on prices—say $1,000,000,000, making a grand total equal to a volume of $10,000,000,000 of metallic money as the currency of the world in 1873–4.

But, besides this vast volume of money, a still vaster structure of credit rose out of it, consisting of the many credit expedients, which, in times of active production, rising prices and successful trade, came into use. Metallic money, legal tender paper money, convertible bank notes and credit expedients, all operate to expand prices, and by this vast volume values were regulated and by it prices regulated.

Sir Anthony Musgrave, in a late number of the *Contemporary*, says truly: "Money being in fact, as so clearly shown by Mr. Bonamy Price, an article of exchange, everything which serves in the place of true money, becomes an article of exchange also; and thus, for instance, the enormous issue of inconvertible paper currency in the United States has helped to lower everywhere the value of money relatively to other commodities; and not a clerk in London, with three hundred a year, but has suffered in his circumstances from the flood of American *greenbacks*, which displaced the precious metals in America, and sent them abroad to swell the amount of the exchangeable commodity (money) in other places.

"None of us gets as much in exchange for a sovereign as if the issue of American legal tender notes had not taken place."

Now it is proposed to reverse all this. The credit structure in a large measure has already fallen, and as confidence lessens, with falling prices and consequent unprofitable production and unsuccessful enterprise, must continue to grow less as long as money itself rises in value. This is the most important law of economics.

Next, legal-tender paper money is to be got rid of and silver restricted to subsidiary coinage and limited tender, and gold alone to be left to serve the general purpose of money, and become the standard by which the vast pile of debts created since 1861 is to be paid! That is, instead of a volume consisting

of gold and silver and legal-tender paper money, and convertible bank notes, existing when debts were created, we are to have only the gold part of this whole volume, with silver for subsidiary coins, and such bank notes as may be maintained at the point of convertibility into gold.

In harmony with this policy is the bill introduced by Senator Sherman to issue $100,000,000 in bonds to take up $100,000,000 in greenbacks at the rate of $25,000,000 a year. But why the tail should be thus hacked off by inches, instead of being severed at once, is difficult to see; for the absurdest of all propositions is to slowly raise the value of money and slowly depress everything else. Such a policy is to production and business what slow poison is to the human system.

Put Senator Sherman at the head of the Treasury to carry out this policy of sweeping away legal-tender paper money with bonds, and with bonds buy gold to take its place, and the place of silver, as real money, and make gold alone the standard by which all debts are to be paid, and we may as well close the doors of our workshops and factories, producing hereafter only as we must consume, and hang out the sign, "A Country for Sale."*

February, 1877.

V. SILVER AS MONEY, AND MONEY MADE OF SILVER.

The difference between silver declared to be money, and money made out of silver, does not seem to have been clearly comprehended in the monetary legislation of the past two years. Until recently silver metal has been potentially money, all there was of it in the world, one part equally with another. Not all of it has been in the form of coin, but with free coinage every ounce of silver in existence was entitled to be stamped as coin; and, whether so stamped or not, every ounce of pure silver had the value of coin, whatever form it might be in. The yearly product of the mines, too, possessed the same value as that already in the form of coin; for all that was

* Unfortunately the country has passed under the affliction, and is suffering the consequences foreseen and feared at the beginning of this year.

necessary was to get the government certificate of weight and fineness stamped upon it, and it was money. A given number of grains constituted a unit of value; but the number of units, and consequently the purchasing power of each unit, was determined by the total quantity of silver. Legislation simply fixed the quantity of metal in a unit and fractional part of a unit, as a dollar, a dime, a franc, and left the *quantity of metal or number of units* there might be—and consequently the value of each—to *natural laws.* This is the science of metallic money, when left to self-regulation whether it be silver or gold.

Hence, when legislators declare what metal or substance shall be money, and there stop, they do not undertake to "regulate" its value in exchange, either directly or by regulating the quantity or the number of valuating units there may be. The case, however, is very different when legislators declare that a given amount of money shall be made *out of silver,* or, in other words, that a *given part of the silver in the world shall be money* and *the rest not.* Then the numerical quantity of units and their valuating or purchasing power, instead of being left to natural laws, are determined directly by the quantity of money so made. That is, the value is controlled as directly by legislation as though anything else were used to make the money of.

When money, as in the case of our greenback currency, is made of paper, its value is determined by volume, or the quantity printed; when made out of silver, if coinage is restricted, by the quantity coined. Legislation, in both cases, determines directly the quantity that shall be made—printed or coined—from time to time, and thereby, *as directly*, controls the value. One year more notes may be printed, and the next year a part destroyed, as we are now doing; or one year more coins may be struck, and the next fewer, or part melted down. In that case an ounce of silver metal and an ounce of silver coin no longer necessarily possess the same value—and they do not now—any more than a legal-tender note and the paper it is made of. In short, in the one case the metal silver is set apart and declared to be money, and there left. In the other case a rather costly commodity is chosen to make money out of, and

how much shall be made, how much of this commodity shall be used up in making money, the legislator, from time to time, or the mint master, or some one else, determines. Hence it is plain that when the principle that all silver is money—money the same as gold, in some declared ratio—is departed from, there is nothing gained in making money out of silver. It might as well be made of bronze—better be of paper—a much cheaper commodity. It is but "inconvertible currency," as compared with gold, in either case.

Again, as it does not matter what size the notes are that are made legal-tender money, so if money is made of silver metal, without declaring all silver to be money, it would not matter how much or how little metal was put in the coin, any more than it does with our nickel pieces. The commodity value of a five-cent nickel piece is about seven-eighths of a cent. It would make no difference with their money value if the quantity of nickel was reduced one-half, *provided the number of pieces* were not increased. It is the numerical quantity, or number of units, in all cases as compared with use as money, that determines the value.

This country is now feeling the terrible consequences of the arbitrary alteration of the value of money, and before we are through with the experiment, it is hoped that the all-important lesson will be learned, that to alter the value of money is to alter the faith of contracts. A change in the length of the yardstick, or he pound weight, or the bushel measure, without provisions for the adjustment of contracts accordingly, would not be tolerated anywhere. But a change in the value of money alters at once all units, whether of length, of weight, or volume.

There is no middle ground; either silver must be money as absolutely as gold, or it is unwise to make use of the metal for money at all. Paper is cheaper and more convenient, and would possess equal value as money, if limited in the same way. The commodity or intrinsic value of neither would determine at all its money value.

VI. RESUMPTION AND REDEMPTION.

Comparison is often made between resumption of coin payments by banks, after periods of suspension, and redemption of greenback notes by Government; but, in fact, the two operations are widely different. Bank notes never altogether drive. coin out of circulation, but supplement it and circulate with it They affect prices only to the extent they constitute additions to the volume of currency. They are forms of credit, promises to pay on demand so much coin, and their circulation in place of coin depends solely upon the accredited ability of the bank to give coin for them.

Resumption in such cases means nothing more than restoring convertibility; the notes remaining in circulation to the extent people are willing to accept them, or prefer them for their greater convenience to coin.

The case is very different with United States legal-tender notes. Ostensibly they are promises to pay coin, but their circulation depends upon quite other conditions than those upon which the circulation of bank notes depends. Grant that bank notes would never be paid in coin, and their value would sink to zero. Grant that greenbacks will never be redeemed with coin, but that they shall, nevertheless, *always be legal-tender as now, and that the volume shall not be increased*, and their value would not be lessened. This statement may appear strange to those accustomed to consider them the same as bank notes. Nevertheless, as a question of economic science, it is true.

The exchangeable value of greenback notes to-day in no wise depends upon the formal promise to pay. Their value depends wholly upon *volume* on the one hand, and their employment as money on the other. If there were any danger that their use as money, through the failure of the Government itself, or otherwise, would be lessened, then their value would decline. On the other hand, the volume remaining the same, if their use or employment were extended, as, for instance, by an increase in the business of the country, or by making them receivable for duties, then their value would be increased; and

this would take place independently of any promise to pay. In other words, greenbacks are, in all respects, money, and their value is governed by the same laws governing metallic money.

The issuance of greenbacks in the first instance was the substitution of paper for metallic money. Mr. Gallatin said: "If in a country which wants and does possess a metallic currency of seventy millions of dollars, a paper currency to the same amount should be substituted, the seventy millions in gold and silver, being no longer wanted for that purpose, will be exported, and the returns may be converted into a productive capital, and add an equal amount to the wealth of the country."

But by issuing paper in greater volume than the coin it displaced, its value was reduced below that of coin. The question, too, of the stability of the Government on account of the war then waging, affected, for a time, the value of greenbacks, and helped to raise the premium on gold. If the Government should fail, as did the Confederacy, then the use of greenbacks as money could not be maintained, and their exchangeable value would sink to zero, as did Confederate money.

The real inflation, however, was in the issue of National Bank notes, and not in greenbacks, which, in fact, never exceeded the money volume they displaced; and so long as the volume of legal-tender paper is kept within the limits that would naturally be indicated by a currency consisting of coin only, it would stand at a coin level, and be convertible with it —provided always no other kind of paper money were allowed.

March, 1877.

VII. LOW PRICES IN RELATION TO EXPORTS.

The theory that a condition of low prices is necessary to large exports and a prosperous condition of trade needs to be takenwith considerable allowance.

It is very true that in order to be able to export any commodity, the price of that commodity must be as low, at least, carriage included, as the cost of producing the same commodity in any other country. But this is the limit of advan-

tage. And if a commodity cannot be produced and sold at a profit as low as it can be produced in any other market, it can not be long exported.

But it is plainly to the interest of the country exporting any produce to have it go out at a price as nearly as possible up to the level of the cost of producing the same commodity in the country to which it is exported. And, of course any derangement in the currency, or anything else that tends to depress prices of commodities exported, below the mark that registers them cheaper than in other markets, works a direct loss to the country exporting them.

This is now the case in this country with many leading commodities. When cotton is exported to pay debts due abroad as interest on bonds, for instance, at ten cents, instead of fifteen, it takes one-third more cotton to pay the same debt

We have been sending out millions of gallons of petroleum —almost exclusively an American product—at a price that has not paid a dollar a day for the labor employed to produce and prepare it, and nothing at all for the product, which, aside from the employment of labor upon it, that is, so far as the crude product is concerned—might as well have been found in Germany as in the United States, for all the benefit we derive from it.

Of course, abundance or scarcity of a commodity has its effect, but to the extent that the price of anything has been depressed below the level that marks it cheaper in this country than in any other, by the arbitrary alteration in the value of money, or other financial derangement, to that extent it has been at a loss to the country. And such losses in the past three years might probably be reckoned by scores of millions.

The theory that the lower the prices the more in value we will export, is fallacious and injurious.

VIII. DEPRECIATION NO JUSTIFICATION FOR APPRECIATION.

The idea seems very generally to prevail that because our money was depreciated during the war, whereby creditors were wronged, that we are bound now to appreciate it, and

thus restore the former status of things. And perhaps this was expected during the period of legal tender issues. But the least inspection of this view discloses its impracticability.

Without raising the question, at this period, of the wisdom of the extensive issues of currency during the war, the only justication of it made at the time, or since, was the necessities of war: and if the wisdom of this action be conceded, I presume few would deny the justification. Certainly, when taking the person and compelling service in the army at such rate of pay and in the kind of money the government might prescribe, was justifiable, the taking of property in such equitable manner as the Government might also prescribe, would be likewise justifiable. For is not life more than meat; the body more than raiment?

But the mistake lies in supposing that by appreciating the currency now we are righting a wrong done then. Instead of that it is a new act of injustice—a new wrong through and through. It does not touch at any point the wrong—if wrong was done—of depreciating the value of money fifteen years ago. No plea of necessity can now be raised.

What justification then, when the country is overwhelmed with debt, in a large degree caused by the war, is there for appreciating the value of money by legislation? Every arbitrary increase in the value of money works a robbery of debtors, as much as the depreciation does of creditors; but while political economists and moralists can not find language too strong for their denunciation of attempts to depreciate money, they are silent as to the wrong done to debtors by appreciating it.

IX. THE PANIC AND ITS LESSONS.*

If we assume the total currency of the country to be $750,-000,000, and $150,000,000 to be kept practically out of circulation—being held as a reserve in banks or hoarded—we have $600,000,000 ordinarily in circulation.

But this $600,000,000 really constitutes but a smaller part of all the instruments of credit which perform the functions of

* This article was first published in September, 1873.

a circulating medium in the general exchange of commodities. Bills of exchange, drafts, checks, bank credits, etc., make up by far the larger part of the circulation, by means of which the exchange of commodities is effected and commerce carried on.

These instruments of credit, as they are called, are evidences of debt, the same as bank notes, but differ from them in being created and canceled daily; and instead of being of general credit, like bank notes, they are confined to limited channels, and depend upon the reputed ability and integrity of the individuals or houses making them, and upon the character of the transactions out of which they grow; but they are no less a part of the circulating medium than bank notes, and, in fact, perform much the larger part of the work accomplished by a circulating medium in the exchange of commodities. Without them the vast machinery of commerce could not be kept moving, and, while they perform this function, such instruments of credit are capital just as much, and in the same sense, as bank notes

This fact is fully recognized by the ablest writers on political economy, and has been recently discussed with great ability by H. Dunning Macleod: "Instruments of credit of all sorts immensely exceed in quantity the money in the country, on the lowest calculation, tenfold. Credit is in itself a merchandise, and the subject of a gigantic commerce."

But if we suppose the average credits made up of all the forms known to commerce, used in effecting exchanges, liquidating debts, etc., in the United States, other than bank notes and greenbacks, to be but twice the volume of money currency, or say $1,200,000,000, we would have $1,800,000,000 as the total of all the means of circulation employed in trade.

Now, the $1,200,000,000 being based upon individual credit—that is, the reputed wealth or ability of individuals, corporations, or banking houses—in times like these, is, to a large extent, swept away. They are creations of the will, and depend upon confidence, and when this is gone the whole system tumbles; only the staunchest stand.

We may safely say then that of the $600,000,000 of money currency, one-third of it, or $200,000,000, are withdrawn and locked up; and of the $1,200,000,000 of the commercial instru-

ments of circulation, two-thirds, at least, are temporarily destroyed, or made for the time being non-available. Hence the sudden blockade in commerce, and the embarrassment and general stagnation of trade.

But, fortunately, these instruments of circulation are rapidly restored, when confidence is restored, and with the dropping out of unsound makers, the system becomes purified and placed on a sounder basis. Macleod says: "All commercial crises arise out of the excessive creation of that species of property called credit." But in a panic crisis it is not the *excess* of credit alone that suffers, but *all* credit.

Then how are panics that not only break down unsound credit, but overturn all credit and bring general ruin, to be prevented?

They occur as well when currency is on a specie basis as when it is not. They occur when the credit structure has grown too large for its basis of solid capital, and when it is known that some portion is more or less unsound. But panics do not discriminate. They overturn the sound with the unsound. How can they be prevented? Perhaps in no way entirely. But it is plain that with our present system of inflexible currency—the same volume for all periods and all conditions of business—that a panic works contraction to an enormous extent. This sudden contraction cannot fail to work immense loss to legitimate trade and capital, as it is doing now. But with the volume of currency unchangeable, there is no relief but by such devices as have been resorted to in the last ten days.

No one can doubt that had it been possible at the outset of of the panic to obtain currency on government securities to replace that drawn out by terrified depositors, the panic would have saved, at least, the really sound institutions. Could the Union Trust Company have exchanged its millions of gold bonds for greenbacks on Friday, it would not have been compelled to close its doors on Saturday. The contraction method adopted to save banks has already proved disastrous in England, while in '47, '57 and '66, when the government authorized the Bank of England to issue its notes in excess of the statutory limits, the panic was immediately allayed.

Macleod says of the panic of 1866: "The announcement of the suspension of the Bank charter act produced the best effects. The next morning the Bank raised its rates to ten per cent., and everything was calmed down, and though consequently to this some other stoppages took place, yet the knowledge that the Bank had power to make advances on good securities abated the panic. On the 18th of May, the Chancellor of the Exchequer stated that the bank had advanced £12,-225,000 (over $60,000,000) in five days." A flexible national currency that can be increased or decreased in volume under proper regulations and upon solid securities, seems to be the remedy which experience offers. By flexibility is not meant an elastic cord in the hands of one man to "move the corps." It would be as rational to place in the hands of a man in the third story of a building the control of the safety valve of a boiler in the cellar, with instructions to raise and lower the valve as he thought necessary.

A *self-adjusting elastic currency*, not a system that shall foster undue credit or support what is unsound, but one that will save from the ruin of mad panics, legitimate commerce, and credit, its great instrument, is urgently demanded.

X. LEGISLATION AND THE REVIVAL OF TRADE.

It is said that business men are opposed to legislative interference with money. As a general proposition this is doubtless true; at least, it ought to be true.

But that business men and business interests are opposed to undoing the legislation by which business is now tied up, is probably not true; at least, it should not be. It would be little consolation to a man bound with cords to be told to rest easy, because they would in time rot off. It was said of slavery, let it alone, the evil will cure itself; but its dying throes well-nigh sundered the nation. When a state of prolonged prostration of the industrial life of a country follows as the direct and necessary consequence of bad monetary legislation, the continuance of that legislation will not prove a remedy, and if the proper remedy be not applied, then there need not be surprise if relief be gained through convulsive throes!

The question, then, is shall the monetary legislation of this country, which pledges us to the demonetization of silver and the redemption of greenbacks in gold, and their cancellation, continue in force, or shall it be repealed? It has been shown that to increase the volume of money by paper issues, made legal-tender, has the same effect upon prices that the reduction of the weight of metal in coins would have.

No people in the world, advanced enough to have commerce and make contracts, would submit first to a reduction of the value of coins by making them smaller, and having created obligations and adjusted prices to such a scale, then to a restoration of their former value by taking two coins to make one.* Philip le Bel, Edward III., Henry VIII., and Louis XIV., all tried it. They could *reduce* the value of coins and force their subjects to take debased and depreciated coins in payment of debts due from the sovereign, but no effort to *raise the standard*, without adjustment of contracts, has ever been successfully carried out. Trade has been fettered, production checked, poverty, distress and famine brought on the people, by the attempt, but the object sought was never attained. Even Queen Elizabeth, so much praised for her effort, failed, as shown by James Taylor, to restore the coinage depreciated

*"The bullion contained in coins of the same denomination, has sometimes, though rarely, been increased, and creditors enriched at the expense of their debtors. This method of swindling is said to have been first practised in the worst times of the Roman Empire. The citizens being bound to pay into the imperial treasury a certain number of pieces of gold, or *aurei*, Heliogabalus, whose cunning appears to have been nowise inferior to his proverbial profligacy, increased the weight of gold in the aureus; and thus obtained, by an underhand trick, an addition to his means of dissipation, which he might not have been able to obtain by fair and open proceeding."—"*Metallic and Paper Money and Banks.*"—J. R. McCulloch. "Directly to alter the terms of contracts between individuals, would be too barefaced and tyrannical an interference with the rights of property to be tolerated. Those, therefore, who endeavor to enrich one part of society at the expense of another, find it necessary to act with caution and reserve. Instead of changing the stipulations in contracts, they have resorted to the ingenious device of changing the standard by which these stipulations are adjusted. They have not said in so many words that ten or twenty per cent. should be added to, or deducted from, the debts and obligations of society, but they have, nevertheless, effected this by making a proportional change in the value of money."—*Ibid.*

by her father and brother; but her bad efforts entailed the Poor Laws* on her kingdom. True, England in 1821 restored convertibility to Bank of England notes, but even in doing this the Government inflicted upon the people suffering and misery greater than she had suffered from all her long wars. The history of that period should be a warning to every country, and to every age. Her resumption measures were based upon erroneous principles, says Sir James Graham. "Mr. Peel relied implicitly on the wrong *datum* of three per cent. being the full extent of the depreciation as indicated by the price of bullion; a price which he and his colleagues had, by their own measures, artifically reduced; and having first deceived himself, he succeeded in misleading the legislature; for, by the use of examples which were not applicable, and by the oversight of the most important considerations, he carried the restoration of the ancient standard of value, without any adjustment of contracts made in a debased currency, or provision for the increased incumbrance of all debts, taxes and annuities."

And again the same writer says: "Whether we regard private debts or public burthens, the effects of the measure of 1819 have been to enact that for every less sum owing a greater shall be paid; prices falling, but pecuniary engagements remaining undiminished, the farmer has no profit, the landlord no rent, the manufacturer no customer, the laborer no employment, a revolution of property and a derangement of the whole frame of society must necessarily ensue."

We have repeated all England's mistakes and invented others besides. England could not have resumed specie payments when she did if the rest of Europe at that time had undertaken to demonetize silver and limit their metallic money to gold. At that time England had only gold, Germany had only silver, and thus the two metals combined made up the total money

* "The want of employment at adequate wages would be the natural consequence of an increased value of money then, in like manner as the same cause produces the same effect now; and this, together with the loss of subsistence previously derived from religious houses, probably caused the poor laws, which Elizabeth established, to become imperatively necessary."

of the two countries. The case would have been very different if England had been compelled to divide her gold with countries which till that time had used silver. Again, England undertook only to *resume cash payments;* that is, to restore converibility to Bank of England notes; the notes, to the extent they were wanted, remaining in circulation.

We think we can do more. We propose to substitute gold for our greenbacks in 1879, and at the same time join in the plan—more properly plot—to demonetize silver. We do not propose *merely to restore the old standard.* We propose to *raise that standard fifty per cent. or more*, and pay our debts accordingly. Who so morally blind as to deny that having depreciated our money by large issues of paper, and having contracted enormous debts, gauged to the extended volume, then to undertake, not only to restore the scale of values that formerly existed, but by the demonetization of one of the precious metals, to raise a *much higher* standard, and require all debts to be discharged according to *that standard*, is a national crime, without palliation, and of a magnitude perfectly appalling! At one stroke the faith of contracts involving thousands of millions of dollars is violated, and the integrity and honor of the people involved in acts that compass their ruin.

If, as Sir Henry Maine says, civilization rests upon the integrity of contracts, what a responsibility has been assumed by legislators who have brought this crisis upon the country!

If such a change in the relative value of money and property *must* come, the disaster to the country would be less if it could *be sudden and then over*, prices being the sooner adjusted to the higher scale. Fewer debtors, even, would probably be ruined by a sudden change than by a slow process, which strangles industries and thwarts business.* Hence, two considerations are involved in the problem: First, the moral one of a change in the value of money; and, second, the economic question of the effect of such a change while it is going on.

* It is not, in my opinion, of great importance what amount of money may exist in any country; but that the question of whether it is on the increase or decrease is one of great importance to every branch of its industry?"—*Alexander Baring's evidence before the Secret Committee of* 1819.

Every producer knows the result of attempting to carry on production on a declining market.

Does the interest of business then demand that there shall be no interference to repeal such legislation? Do business men demand that the present monetary laws be let alone?

Let those laws continue in force till the demonetization of silver and the cremation of greenbacks have been carried to the full extent contemplated by existing statutes, and not 5,000 miles of railroad in the United States can earn and pay dividends and interest on the capital represented.

At one and the same time, and by force of the same monetary legislation, the value of their represented capital is doubled, and the volume of business greatly reduced.

How can savings banks pay their deposits when the dollars they are liable for have been doubled by force of legislation, and the securities they hold—whether real estate mortgages or stocks, other than Government bonds, which participate in the rise of money—have, on the other hand, depreciated half?

No, it cannot be true that business, or business men are demanding that the present legislation be permitted to stand. On the contrary, all interests, except those of the secured creditor, demand immediate repeal. Without its repeal a permanent revival of business is impossible. The producer must know, the purchaser must know, the contractor must know when they make engagements, whether the dollars they bargain to pay are to be the same as when the contract was made, or whether they are to be changed in size or value meantime by the operation of law.

A general European war may increase the demand for breadstuffs and war material. But great wars hurt the world. They destroy capital and impoverish the nations participating in them, and in the long run, even of a few years, the aggregate of commodities they are able to take and will take from us will be less than if no war had taken place. In any event a foreign war can not cure the evil of bad monetary legislation at home. The only cure for that is the repeal of the laws, and that all interests demand.

A change in public sentiment on this subject is rapidly tak-

ing place. It is spreading from the West to the East, and demanding rights for the debtor as well as justice to the creditor. The demand is just; the principle on which it rests is sound, and in accord with economic laws, and that leader and that party that oppose it will be overthrown. Let both take warning.

May, 1877.

THE END.